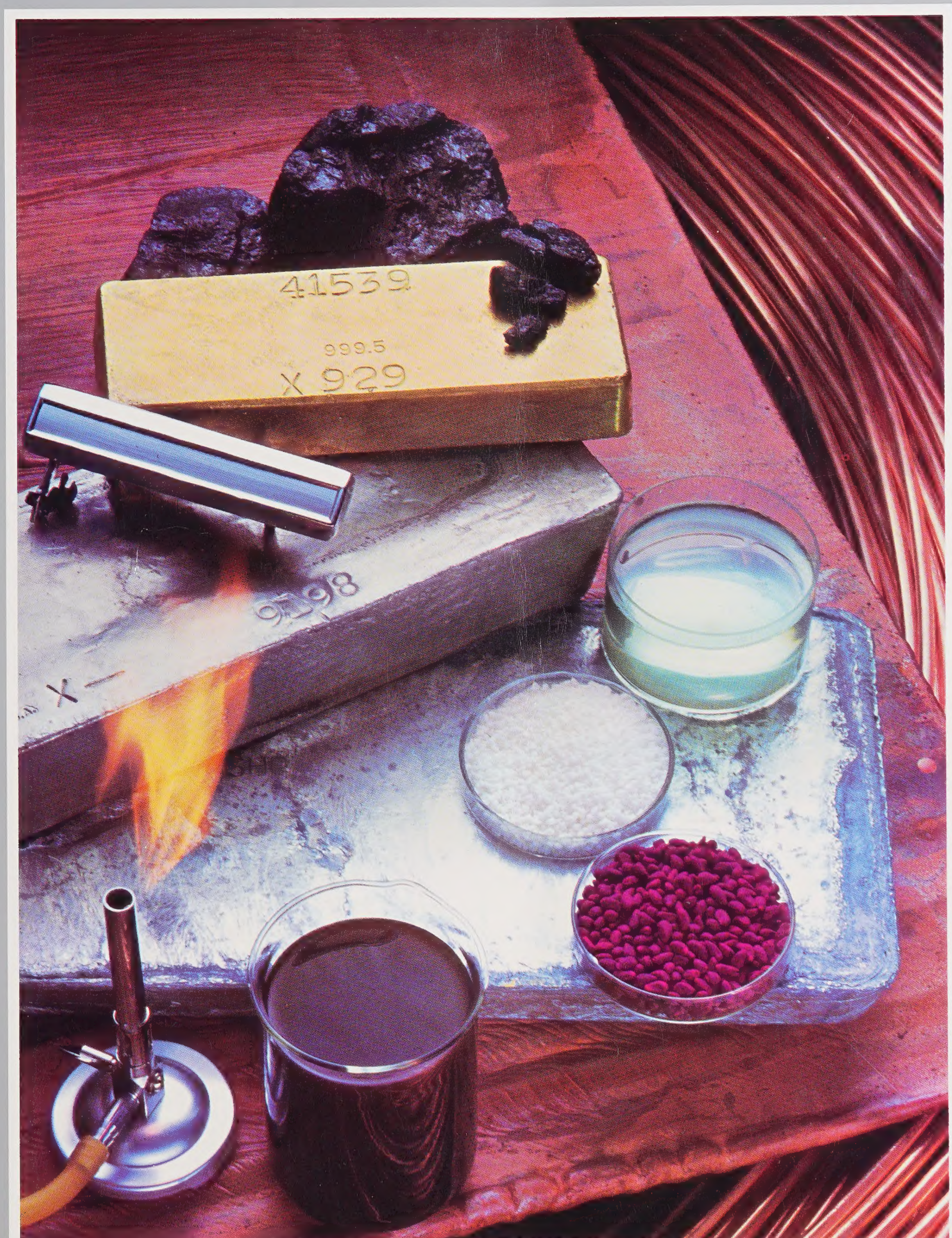
INSPIRATION RESOURCES CORPORATION

1983 Annual Report

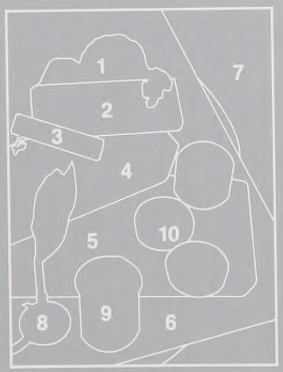


Contents

The Cover

The still-life photograph shows the diversity of Inspiration Resources' product mix. Represented are the following products:

1) Coal
2) Gold
3) Zinc diecasting (automobile door handle)
4) Silver
5) Zinc
6) Copper cathode
7) Copper coil
8) Natural gas
9) Crude oil
10) Agricultural chemicals



Inspiration Resources Corporation is a U.S.-based, diversified natural resources company with production facilities in the United States, Canada and Indonesia and markets worldwide. A major producer of agricultural chemicals, coal, copper and zinc, Inspiration Resources also produces and markets oil and gas and precious metals, two areas in which it is intensifying exploration and development activities.

In this first annual report of Inspiration Resources Corporation, we mark the completion of a watershed year. During 1983, we have:

- reorganized the former group of companies into a coherent structure;
- improved our access to capital markets in North America and Europe, as we became a single listed corporation in the U.S.;
- significantly improved our balance sheet through successful equity offerings.

The importance of the reorganization and refinancing has been underscored by our results in 1983, which was one of the worst years on record not only for the base metals industry, but also for the fertilizer industry.

Our results for the full year showed a net loss of $82.7 million, compared with a loss before extraordinary item of $72.3 million for the previous year (restated to reflect the reorganization). The continuation of cost reductions achieved in a number of our operations reduced losses in the first half of the year to lower than previous-year levels. However, as a result of the Federal Government's "Payment-in-Kind" (PIK) program and intemperate weather, our agricultural business remained depressed throughout the year. This, coupled with depressed copper prices throughout 1983, particularly in the fourth quarter, in addition to our heavy borrowing costs during the first eight months of the year, severely affected earnings.

The most notable event of the year was the reorganization, approved on June 8 by shareholders of our predecessor company, Hudson Bay Mining and Smelting Co., Limited, at a special meeting in Toronto. Under the plan approved by holders of 99.8% of that company's shares, U.S. interests jointly held by Hudson Bay Mining and by Minerals and Resources Corporation Limited (Minorco) were pooled with the Canadian and other interests of Hudson Bay Mining. At the same time, Inspiration Resources Corporation, the new parent organization, became a publicly-held company. Its common shares were listed on the New York Stock Exchange and began trading on July 6.

Just over a month later, on August 9, equity financings totaling $180.8 million were successfully completed through the issuance of shares of Inspiration Resources Corporation and of Hudson Bay Mining. These included $69.3 million raised in Canada through a public offering of Hudson Bay Mining special shares and warrants. The remaining $111.5 million came from a pro rata purchase of Inspiration Resources Corporation common and class A shares and warrants by Minorco. Minorco now has a 60% equity interest and a 46% voting interest in our Corporation. The effect of the equity offerings was to enable us to reduce outstanding debt. At its peak, the long-term debt to equity ratio had been 1.24, with burdensome carrying charges. As a result of the financing, it was brought to 0.68 by year-end. The success of the offerings evidenced the financial markets' interest in the Corporation.

To maintain the eligibility for investment purposes in Canada of the HBMS special shares, it was necessary to declare a dividend on those shares prior to the end of 1983. Because the HBMS special shares are

convertible into Inspiration Resources common shares on a one-for-one basis, to avoid dilution, a 2% stock dividend on the Corporation's common and class A shares was declared on November 10, 1983, by the Board of Directors.

At Inspiration Copper, a five-year contract to smelt copper concentrates for the Duval Corporation (a division of Pennzoil) partly replaces the loss of concentrates we previously smelted for a supplier that had shut down in mid-1982. Since that time, we have been buying concentrates from other sources to maintain operations at an economical level. Together with our own production of copper concentrates, the volume supplied by Duval will meet the major part of our Arizona smelter's requirements for efficient operation in 1984.

Our metal businesses in the U.S. and Canada have had substantial modernization and expansion capital expended on them in the past five years and have drastically reduced costs in the past two years. We believe that their competitive positions have been improved. Our fertilizer business is expected to revert to profitability in 1984. We are continuing to review opportunities for our coal subsidiary.

After a year of transition, it is appropriate to refer to the future. We have spent considerable effort since the reorganization planning for our development. Within the natural resources sector, we plan to emphasize two areas. One is precious metals, where a limited likelihood of oversupply in the long term offers the prospect of attractive returns. We believe we can utilize the exceptional operating and technical expertise in our existing metal mining operations to expand into this highly competitive area. As part of this process, we have placed the responsibility for this effort in a new senior management team. Our exploration and property acquisition activities will be dramatically increased in 1984 in both the U.S. and Canada.

The other commodity we are emphasizing is petroleum. Subsequent to the year-end we undertook major changes to our position in this industry (see page 11 for details). Through contribution of our Trend subsidiaries and our interest in Adobe Oil and Gas, we have acquired a 58% interest in Danville Resources, Inc., which in turn used these and other assets to acquire a 53% interest in Madison Fund, Inc., which percentages will possibly increase slightly as the result of a reappraisal of Trend's assets during 1984. Madison will own more than $500 million of assets, the most significant of which are: 100% of the Trend group, 100% of Vanderbilt Energy, 27% of Adobe Oil and Gas, 26% of Conquest Oil and Gas, 31% of Marline Oil, 15% of Danville and approximately $100 million in cash. This represents an exciting new oil company that we believe will contribute significantly to our future.

Our horizons are not confined to the resource sector, and we plan to obtain interests in other businesses that will be foundations upon which to build. An important development in this context is our new investment in Danville. In addition to being the vehicle through which we hold our petroleum interests, Danville has an interesting portfolio of assets, including a 27% shareholding in Arcata Corporation, which in addition to substantial redwood holdings is the second largest printing company in the U.S. Danville also has a broad range of venture capital interests managed by an aggressive and innovative team that, we believe, will offer us opportunities in new business areas.

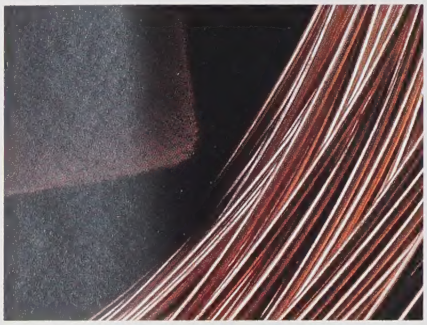
We are contemplating further equity or equity-related financing in the current year, and I am pleased that our major stockholder, Minerals and Resources Corporation Limited, has indicated its intention to preserve its equity position against dilution and to participate in any such financing up to a maximum amount of $100 million.

We have no illusions about the magnitude of the challenges ahead. We are confident that we possess the talented people in our group of companies to enable us to effect the transition upon which we have embarked. I would particularly like to thank our employees who have coped so well in a difficult year.

R.F. Richards

Reuben F. Richards
Chairman of the Board, President and Chief Executive Officer
March 22, 1984

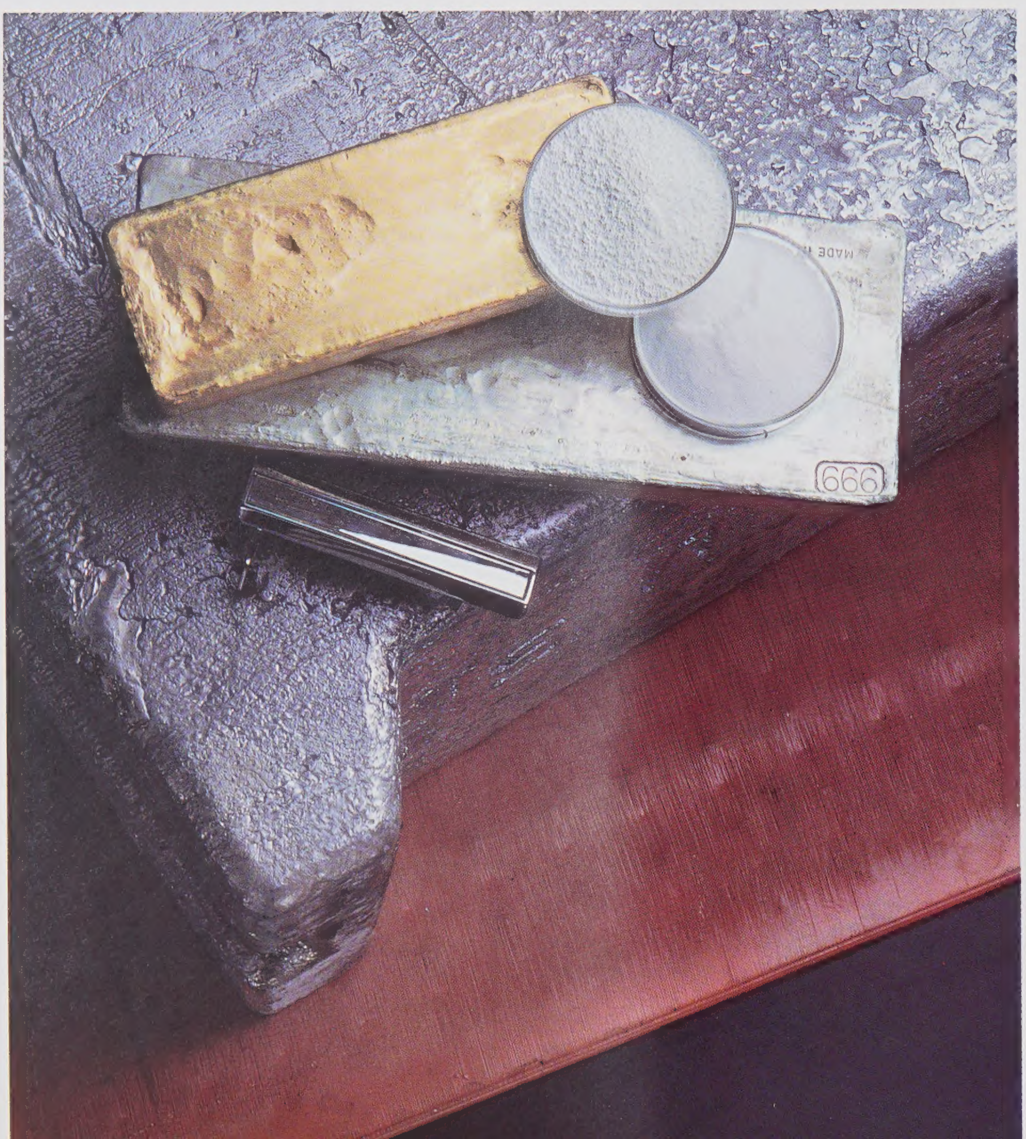
Inspiration Resources Corporation
At a Glance

		Principal Products
Hudson Bay Mining and Smelting Co., Limited		Copper Zinc: Zinc Oxide Zinc Diecastings Gold Silver Sodium Sulphate Tantalum Pentoxide Oil and Gas
Inspiration Consolidated Copper Company/ Inspiration Mines Inc.		Copper: Rod Cathode Crop Bar Molybdenum Silver: Flux Containing Silver Zinc
Trend International Limited/ Trend Exploration Limited		Oil Natural Gas
Terra Chemicals International, Inc.		Anhydrous Ammonia Urea Urea Liquor Nitrogen Solutions Crop Seeds: Corn Cotton Grain Sorghum Diammonium Phosphate Triple Superphosphate Phosphoric Acid Potash Sulphate of Potash Magnesium Herbicides Insecticides Fungicides
Inspiration Coal Inc.		Bituminous Coal: Metallurgical Thermal

Offices, Plants and Mines		Net Sales (millions) 1983
Corporate Offices: Toronto, Ontario Flin Flon, Manitoba Brampton, Ontario Regina, Saskatchewan Bernic Lake, Manitoba Vancouver, British Columbia (exploration office) Whitehorse, Yukon (exploration office)		$244.0
Corporate Offices: Claypool, Arizona Black Pine Philipsburg, Montana Tennessee Zinc Jefferson City, Tennessee Reymert Claypool, Arizona		$172.7
Corporate Offices: Denver, Colorado Hamilton, Bermuda Jakarta, Indonesia Sorong, Indonesia Singapore		$ 59.6
Corporate Offices: Sioux City, Iowa Plants: Port Neal Works Sergeant Bluff, Iowa Bison Nitrogen Woodward, Oklahoma Special Products Mfg. Blair, Nebraska Dry flowable plant in production late 1984, Blytheville, Arkansas		$247.0
Corporate Offices: Knoxville, Tennessee Harman Mine and Clintwood Mine Harman, Virginia Jamboree Mine Jamboree, Kentucky Majestic Mine Majestic, Kentucky	Wheelwright Mine and Kite Mine Price, Kentucky Bailey Mine Bypro, Kentucky	$ 39.2

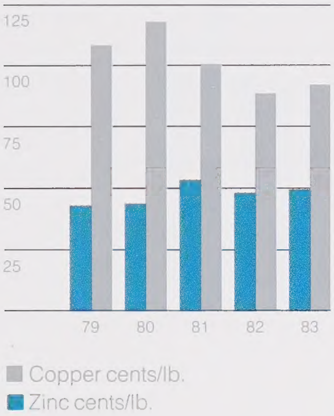
"HBMS is dependent for its economic well-being on the selling prices of its products. We now have lean and efficient production units. As a result, we will realize the maximum benefit of an upturn in metal prices."

C. Keith Taylor
President and Chief Executive Officer
Hudson Bay Mining and Smelting Co., Limited



Hudson Bay Mining products shown here are gold, silver, a zinc diecasting of an automotive part, zinc, a copper cathode and, in the Petri dishes, zinc oxide (left) and sodium sulphate.

Average published prices
(Canadian cents)



Improved financial results in 1983 were the result of continued efforts to minimize costs and of improved productivity, and increased sales volumes of principal products.

The price of copper, which showed signs of improvement early in 1983, dropped in the third quarter and remained depressed for the balance of the year. Zinc prices showed improvement throughout the year and have continued this improvement in the first months of 1984.

HBMS reported a loss of $6.3 million before interest and taxes for 1983 on net sales of $244.0 million, compared with a loss of $33.8 million on net sales of $201.2 million in 1982.

Metal production increased substantially at the Flin Flon/Snow Lake operations in Manitoba. These operations, while recording a loss of $6.0 million in 1983, produced a positive cash flow of $4.4 million during the year, compared with a cash deficit of $39.7 million in 1982. Development of the Rod Mine in Manitoba continued, with production scheduled for March 1984.

The market for sodium sulphate remained steady throughout 1983, resulting in positive earnings and cash flow from Francana Minerals. Zinc oxide sales strengthened but prices remained below a satisfactory level. Nevertheless positive earnings and cash flow were recorded by the Zochem division. The North American automotive market boom during the year resulted in increased demand for zinc diecastings and a small profit for Hudson Bay Diecastings.

HBMS purchased all of the shares of the wholly-owned Canadian subsidiary of Trend Exploration Limited for $10 million, effective September 1, 1983. The assets consisted of working interests in producing oil and gas properties and undeveloped leases located primarily in Alberta, and an interest in an undeveloped coal property in British Columbia. The new division generated a positive cash flow and recorded a small earnings contribution in the last four months of 1983.

The Tantalum Mining Corporation of Canada Limited mining and milling operation remained closed. There were no sales in 1983 because of the depressed world tantalum pentoxide market.

The site abandonment program for Whitehorse Copper Mines proceeded as scheduled through 1983, after operations ceased in late 1982. A significant portion of the assets has been sold.

HBMS is continuing to explore and develop new mining properties and existing mines, and to upgrade and expand production facilities. Exploration expenditures in 1984 are expected to be substantially greater than in 1983.

Production and Ore Reserves

	1983	1982 (quantities in thousands)	1981
Flin Flon/Snow Lake Operations:			
Metal Production (includes purchased material)			
Refined copper (lb)	**146,986**	121,264	148,267
Slab zinc (lb)	**163,480**	122,865	149,194
Gold (oz)	**75**	70	65
Silver (oz)	**1,311**	1,360	1,267
Mine Production			
Tons mined	**1,845**	1,798	1,935
Copper (%)	**2.25**	2.13	2.01
Zinc (%)	**2.60**	2.76	2.34
Gold (oz/ton)	**0.041**	0.043	0.034
Silver (oz/ton)	**0.501**	0.529	0.486
Ore Reserves *			
Tons	**14,409**	14,400	16,143
Copper (%)	**2.61**	2.66	2.58
Zinc (%)	**3.2**	2.8	2.9
Gold (oz/ton)	**0.038**	0.035	0.034
Silver (oz/ton)	**0.56**	0.51	0.53
Whitehorse Copper:			
Ore milled (tons)	—	898	800
Copper (%)	—	1.39	1.42
Tantalum Mining Corporation: **			
Ore milled (tons)	—	142	152
Ta_2O_5 (%)	—	0.125	0.122
Tailings milled (tons)	—	38	55
Ta_2O_5 (%)	—	0.067	0.059
Ore Reserves			
Tons—ore	**1,005**	1,081	1,154
—stored tailings	**702**	702	743
Ta_2O_5 (%)—ore	**0.131**	0.138	0.144
—stored tailings	**0.065**	0.065	0.065
Francana Minerals:			
Sales (tons)	**84**	100	91
Zochem:			
Production (tons)	**18**	15	18
Hudson Bay Diecastings:			
Number of diecastings shipped	**15,740**	12,375	13,200

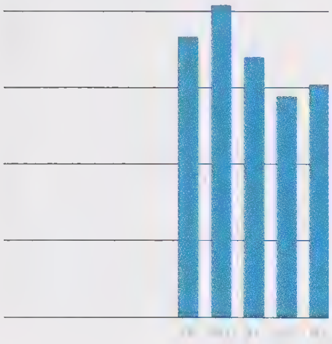
*Proven reserves including Corporation's 44% interest in Trout Lake mine.
**Tanco is 37.5% owned, figures represent 100%.

"Inspiration Copper has raised productivity and lowered unit costs, but further improvements are necessary to compete successfully in domestic and world markets. Management, union and government must be willing to combine efforts and cooperatively solve the problem. It is a time for innovative thinking and action."

John J. Ellis
President and Chief Executive Officer
Inspiration Consolidated Copper Company
Inspiration Mines Inc.

A copper cathode and coil, produced by Inspiration Copper, are the backdrop for gold and silver bars, also produced by the company.

Average published prices for copper cathode
(U.S. cents)



Production of copper from Inspiration Copper's mines in Arizona totaled 138.7 million pounds, an increase of 9.1% over 1982. Cost-cutting efforts continued in 1983.

In 1983, Inspiration Copper lost $16.8 million before interest and taxes on deliveries of 178.5 million pounds of copper. This compares with a loss of $9.1 million on deliveries of 142.0 million pounds in the previous year; the increase in deliveries resulted from increased purchases of copper concentrates. Net sales increased from $134.8 million in 1982 to $160.1 million in 1983. Published prices for copper cathode averaged 76.3 cents per pound in 1983—an increase from the prior year's average of 72.2 cents.

The amount of concentrates available dictated a sporadic operating schedule for Inspiration Copper's smelter in 1983, which contributed to the poorer results. The Pinto Valley mine that had been the main supplier of smelter toll material remained shut during the entire year. The smelter operated successfully on domestic concentrates, some outside concentrates and a large volume of secondary materials that had accumulated during past years.

In 1983, Inspiration Copper signed a five-year agreement with Duval Corporation for the purchase of concentrates, deliveries of which began in early 1984.

At the end of May 1983, Inspiration Copper reached agreement on new three-year labor contracts with all of the unions representing its employees. This marked the first time in 20 years that new agreements were reached without a strike. The new pacts include a freeze on wage rates and pension benefits.

Inspiration Mines

The year 1983 was one of accomplishment in three areas of vital concern to the company: increased mine production at the Black Pine mine,the acquisition of the Tennessee zinc properties, and the search for new investment opportunities in precious metal properties.

Inspiration Mines lost $0.5 million in 1983, after a write-down of certain assets of $1.0 million, compared with a $4.2 million loss in 1982. Net sales for 1983 totaled $12.5 million, compared with $6.8 million in 1982.

Production at the Black Pine mine during 1983 totaled 1.2 million ounces of silver and 1.9 million pounds of copper, resulting in earnings of $1.1 million for the year, compared with earnings of $46,000 in 1982.

In July, Inspiration Mines purchased from Gulf + Western Industries, Inc. its idle Jefferson City, Idol, and Beaver Creek zinc properties, located near Knoxville, Tennessee. The Beaver Creek operation was restarted in January 1984.

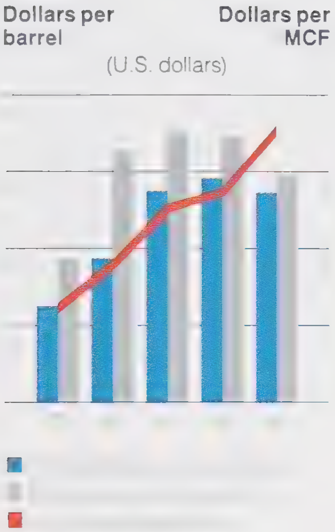
Numerous properties with precious metal potential have been investigated. Negotiations for acquisition of the most promising properties are being conducted.

Production and Ore Reserves

"Lower production prices and an uncertain market outlook have caused a slowdown in drilling activities, which, in turn, resulted in lowering the costs of goods and services. The economics of exploration with lower finding costs remain favorable today at current crude oil prices."

Jean Debray
President and Chief Executive Officer
Trend Exploration Limited

A beaker of crude oil and flaring gas symbolize Trend's energy operations.



In March 1984, Inspiration Resources announced a major restructuring of its petroleum interests. As a result of exchanges of stock, the energy interests of Inspiration Resources, Danville Resources, Inc. and Madison Fund, Inc. have all been concentrated into Madison, with Danville becoming a subsidiary of Inspiration Resources and Madison becoming a subsidiary of Danville. The objective of these transactions is to build a significant operating oil and gas company in Madison, the management of which will be strengthened through the addition of excellent oil and gas industry operating executives. The transaction is anticipated to close around the end of March, when the requisite regulatory approvals are expected, and is subject to ratification by the stockholders of Madison in May 1984. The corporate structure and the energy interests of Madison are shown in the chart below, which also indicates the proved oil and gas reserves of each of the companies at the end of 1983.

Trend International Limited and Trend Exploration Limited's combined net sales totaled $59.6 million in 1983, compared with $70.5 million in 1982. Earnings before interest and taxes for 1983 and 1982 were $23.5 million and $32.4 million, respectively. The decreases in revenues and earnings are attributable to lower crude oil prices and normal production decline in Irian Jaya, Indonesia.

The 1983 drilling program in Irian Jaya yielded 14 development oil wells, one exploratory gas well and two exploratory abandonments. Trend is the managing operator of the production sharing contract.

In Barito, South Kalimantan, Indonesia, Trend participated in the drilling of two exploratory wells that encountered significant oil shows but were abandoned after inconclusive production tests. Exploration drilling will be resumed later in 1984. The contract area covers approximately 1.9 million acres. Trend holds a 45% interest in the production sharing contract and is the managing operator.

In Egypt, a 265-kilometer seismic program was completed in the last quarter of 1983 on the Tiba Block, Western Desert, to evaluate possible drilling locations in the southwest corner of the contract area near recent discoveries. The block contains some 1.1 million gross acres. Trend's interest is 20%.

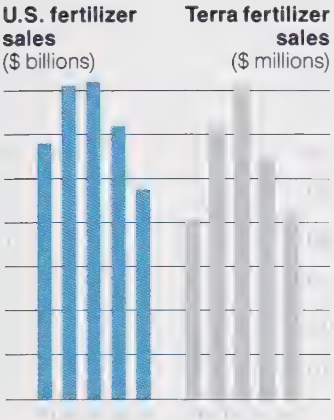
Trend's domestic exploratory and development program was restrained as lower crude oil prices and market restrictions of natural gas sales adversely affected working capital from operations. Trend participated, or had an interest, in the drilling of 52 wells, resulting in 18 oil wells, 13 gas wells, one salt water disposal well and 20 abandonments.

Capital expenditures totalled $24.8 million in 1983, compared with $27.7 million in 1982. Of this amount, $12.8 million was invested in the United States and $12.0 million in Indonesia and other international areas.

"We anticipate a strong demand for our products and services during the 1984 spring season because of expected increases in planted acres of four major spring seeded crops. Terra's inventory is well positioned within our 25-state market, and a lean, well-trained, competitive organization is ready to serve our customers."

William T. Dible
President and Chief Executive Officer
Terra Chemicals International, Inc.

Terra Chemicals' products for agricultural markets include herbicides, nitrogen fertilizer, cotton seed and grain sorghum.



Two years of marginal net farm income in the United States and the government acreage reduction program in 1981 and 1982 sharply decreased demand for retail agricultural supply products. In 1983, over 80 million acres were idled by "Payment-in-Kind" (PIK) and other government farm programs. These programs were designed and implemented to reduce production of farm commodities and lower stocks, thereby supporting crop prices. Combined 1983 U.S. plantings of corn, grain sorghum, cotton, and rice were 27% less than 1982.

Domestic nitrogen fertilizer manufacturing margins were unusually low due to a severe cost-price squeeze throughout 1983. Lower prices resulted from excessive inventories brought about by PIK-reduced demand and an influx of cheap imported nitrogen fertilizer. Continued high natural gas prices also adversely affected margins.

Terra's 1983 net sales totaled $247.0 million, down 10% from 1982 sales of $273.3 million. A 1983 net loss before interest and taxes of $10.8 million compares with a net loss of $3.3 million in 1982.

Terra's 1983 production of nitrogen products was lower than the previous year. Near-capacity production rates at Oklahoma Nitrogen Company began late in May after rate reductions for natural gas were made available to ammonia producers in Oklahoma. After an extended early-summer maintenance turnaround at the Port Neal, Iowa plant, less expensive gas delivered to the plant reduced production costs. Cost reductions obtained for gas in mid-1983 will continue at least through the first half of 1984.

Unit production costs declined as a result of Terra's acquisition of one-half of Gulf Oil Corporation's interest in Oklahoma Nitrogen at significantly below book value, bringing Terra's share to 37½%.

Terra's Wholesale Division sells nitrogen fertilizer products to other dealers in 16 states. Wholesale demand and price improvement began during the fourth quarter of 1983, reflecting anticipated significant expansion in spring plantings. Wholesale market expansion is under way in Arizona, Illinois, Indiana, Ohio, and Wisconsin.

Terra operates over 100 retail farm service centers in 15 states. Terra's 10% decrease in retail sales from 1982 to 1983 compares favorably to a 28% decrease in combined plantings of corn, grain sorghum, rice and cotton in Terra's marketing area.

Terra is implementing its niche strategy of developing dry flowable agricultural chemicals production capacity. The application of the innovative dry flowable concept offers the agricultural chemical industry advantages in storage, transportation, handling and container disposal. Terra plans to build a $5 million dry flowable facility in Arkansas to start production in late 1984.

The 1984 outlook is optimistic. Reduced carry-over stocks of major farm commodities have resulted in repeal of the government PIK program for corn, grain sorghum, cotton, and rice. A more favorable supply/demand situation for fertilizers, agricultural chemicals and seed is projected, based on expectations of significant acreage increases for major U.S. crops.

Production (tons)

"An effective, highly motivated team is now in place at all levels. Inspiration Coal is well positioned to ride out the current depressed market and take full advantage of a turnaround in the coal industry."

Harold S. Schwartz
President and Chief Executive Officer
Inspiration Coal Inc.

Inspiration Coal's metallurgical coal.

Despite lower production, unit costs were reduced 17.7% by year-end, which permitted an aggressive sales campaign and a gratifying improvement in fourth-quarter performance. This positive trend is expected to continue through 1984.

Inspiration Coal sales in 1983 totaled 1,163,000 tons, compared with 1,746,000 tons in 1982. Net sales were $39.2 million, compared with $70.6 million in 1982. Lower sales prices and reduced sales resulted in a loss before interest and taxes of $9.2 million, compared with a loss of $5.4 million in 1982.

Sales in tons by quarter follow:

1983 quarter:	First	Second	Third	Fourth
Sales tons (000)	203	231	245	484

The depressed state of the coal business continued through 1983, with a steady decline in coal prices. Average price per ton realized was $33.72 in 1983, compared with $40.41 in 1982.

No major capital projects were initiated in 1983. This austerity program is being extended through 1984.

For economic reasons, the Bailey preparation plant in Kentucky ceased to operate in April 1983. Coal previously supplied from this preparation plant is now supplied from the adjoining Wheelwright facility and it is expected that this strategy will continue through 1984. The Harman Mine, which had been shut at the end of March, recommenced operations in August in anticipation of its generating competitive sales through blends and a marked reduction in unit costs. This decision was vindicated and production from Harman was fully committed throughout the period. The Harman coal is being directed to the export metallurgical market through transshippers. Wheelwright and Sovereign output was sold in the domestic utility and industrial markets.

Management and organizational restructuring was completed during the year. Mechanized information systems were introduced and will be enhanced in 1984. Three medium-term sales contracts were successfully concluded. In 1984, 620,000 tons will be sold under contracts, compared with 240,000 tons in 1983. Inspiration Coal intends to increase the proportion of contractual sales and to consolidate relationships with traditional customers. The existing United Mine Workers Association contract terminates in September 1984.

The outlook for 1984 is for slow growth in Inspiration Coal's market sectors. Metallurgical coal markets in particular will remain depressed. Coal prices will continue to be unsatisfactory primarily due to large worldwide surplus production capacities and inventories. The strength of the U.S. dollar adversely affects export capabilities. With Inspiration Coal's reduced costs of production, new sales contracts and emphasis upon marketing, sales in excess of 2 million tons in 1984 are anticipated.

1983 Reserves (tons)

"Our marketing and trading operations are based on a full-service, profit-center approach. We are highly conscious of freight, interest and marketing costs as well as premiums received. We employ strategies to optimize return on assets."

M. Brian O'Shaughnessy
President
Inspiration Resources Marketing Corporation

Inventories of refined copper at Hudson Bay Mining and Inspiration Copper were kept near zero throughout the year in spite of increased production and weak markets. Marketing strategies were designed to be responsive to changing market conditions and competitive practices. Our strong customer base was expanded as delivery times were reduced and product quality was tailored to customer needs.

Rod quality will be further improved in 1984 with the completion of capital expenditures at the Inspiration Copper rod facility. These improvements will allow the rod product to be drawn to finer wire for growing markets in electronic, electrical, computer and aviation sectors.

Sophisticated trading strategies were developed to secure copper concentrates during a period of short supply. For example, concentrates produced in the Pacific were purchased and traded with a Japanese company for Canadian concentrates, which were traded with a U.S. company for concentrates delivered to Inspiration Copper's Arizona operation. It was not so long ago that such activities would be conducted solely by trading companies. Copper concentrate requirements for both HBMS and Inspiration Copper are expected to be fully satisfied in 1984.

The weak copper market in 1983 was evident in the 335,000-ton increase in inventories at commodity exchange warehouses, which was partially offset by a reduction of 200,000 tons held by Western world producers. This net buildup was reversed late in 1983. Total inventories are expected to fall 100,000 tons in the first quarter of 1984. A continued reduction of inventories indicates a brighter future for copper.

Zinc inventories at HBMS were allowed to increase during most of 1983 in anticipation of a stronger market and higher prices at year-end. The zinc market did strengthen and the accumulated inventories were sold by year-end. Zinc benefited not only from the increased volume of automotive sales but also from greater intensity of use in this sector. Zinc-plated steels, which are known as galvanized steels, inhibit the formation of rust to preserve life and improve quality.

Zinc concentrates produced at the newly-acquired Tennessee properties are in demand and will be sold at favorable prices in 1984.

The strong zinc market in 1983 was evident in a 200,000-ton drop in inventories held by Western world producers, consumers and commodity exchange warehouses. The current low level of inventories and the high rate of production indicate that zinc will continue to outperform most other metals as the recovery continues.

Results of Operations

The Corporation incurred a consolidated net loss of $82.7 million in 1983 compared to a loss before extraordinary item in 1982 of $72.3 million, and a net loss of $13.1 million in 1981. 1982's results were additionally favorably affected by an extraordinary gain of $45.0 million on the sale of a power plant in Canada, while 1981 results include a gain of $10.4 million incurred on the sale of a coal property.

Depressed markets and selling prices in agricultural products, coal and petroleum products, coupled with higher interest costs and the write-down of certain assets, contributed to increased losses in 1983. These losses were partly offset, however, by cost reductions and improved efficiencies at the Canadian mining and metallurgical operations.

Copper price performance was very disappointing throughout 1983. The Comex price, which had risen from less than 60 cents per pound in the fourth quarter of 1982 to 80 cents per pound in the second quarter of 1983, fell back into the 60-cent range and on average was 72 cents in 1983, 66 cents in 1982 and 79 cents in 1981.

At Hudson Bay Mining & Smelting (HBMS), cost restraint programs commenced in 1982 continued into 1983, and although market conditions remained depressed, sales volumes and prices improved. Increased net sales, coupled with cost reductions, allowed HBMS to sharply reduce its loss in 1983 from that incurred before the extraordinary item in 1982, to a level comparable to the net loss incurred in 1981.

At Inspiration Copper, increased copper concentrate purchases at higher prices and high smelter standby and maintenance costs combined with a write-down of certain assets in the fourth quarter caused the 1983 loss to exceed that incurred in 1982, which, as compared to 1981, had in turn been adversely affected by historically low selling prices, which more than offset significant cost improvements brought about by rigid cost controls and improved productivity resulting from a 34% reduction in work force.

The petroleum operations of Trend International and Trend Exploration continued to make profitable contributions, but at a lower level than in 1982, which had in turn been lower than the 1981 level, reflecting normal declines in Indonesian production and prices as well as reduced domestic oil prices and curtailments in the U.S. gas market, partly ameliorated by increases in domestic production.

Increased losses incurred by Terra in 1983 over 1982 levels were primarily due to sharply lower demand and hence selling prices for agricultural products, as a result of intemperate weather conditions and the Federal government's land set-aside program whereunder more than 80 million acres were taken out of production. Terra was profitable in 1981.

Sales volumes in 1983 for Inspiration Coal were below comparable 1982 amounts and on a level with 1981 due to the depressed state of the coal business. This resulted in a continuing decline in coal prices, which was only partly offset by reduced unit production costs brought about by improved productivity.

Revenues and income of the base metal operations are sensitive to changes in the selling price of copper and, to a lesser degree, of zinc, as production and sales volumes remain relatively constant over time. Selling prices are dictated by worldwide supply and demand relationships, with demand a function of economic activity in general, and more specifically activity in the building, automotive and appliance industries. It was, therefore, disappointing that due to worldwide oversupply and excess copper inventories, the real growth in the U.S. economy in 1983 did not affect copper prices more favorably, although zinc prices did improve. The petroleum sector has suffered in the past two years from poor economic conditions worldwide, which have depressed world petroleum prices. The agricultural sector is sensitive to farmers' demands, which in turn are dictated by such uncontrollable factors as government policies and vagaries of the weather. In the coal sector, revenues and income are vulnerable to the effect of depressed market conditions, resulting from an excess of supply over demand, upon both volume and prices, with long-term sales contracts usually desirable.

Consolidated net sales in 1983 were marginally in excess of those achieved in 1982, which had in turn fallen 10% below the 1981 level. Volumes sold in 1982 by HBMS

decreased from 1981 levels as a result of a two-month shut down, resulting in a 17% revenue reduction. However, full production resumed in 1983 restoring revenues to the 1981 level. At Inspiration Copper, sales revenues decreased 11% in 1982 mainly due to price weakness, while in 1983 increased sales volumes resulting from increased concentrate purchases in lieu of the toll treatment of concentrates accounted for an increase of 22% in sales revenues. At Trend, 1983 sales revenues fell by 16% from levels achieved in 1982 and 1981 due to both volume and price reductions. Terra Chemicals' sales revenues in 1982 were reduced 14% by both volume and price decreases, a trend that continued into 1983 with a further 10% reduction. At Inspiration Coal, increased sales volumes in 1982 yielded an improvement of 45% in sales revenues over 1981; however, in 1983 both volumes and prices declined to below the 1981 levels.

Interest and other income was significantly lower in 1982 as compared with 1981 mainly as the result of the inclusion in 1981 of a $10.4 million gain on the sale of a coal property and hedging gains. In addition, joint venture profits in 1981 became losses in 1982. 1983 was further reduced primarily because of lower interest income.

Exploration expenses were decreased sharply in 1982 and again in 1983 due to a deliberate cutback in exploration efforts in both Canada and the U.S., as part of the overall cost-saving program.

Interest expense increased significantly in 1982 as compared with 1981 due to increased borrowings to finance acquisitions and capital expenditures.

Liquidity and Capital Resources

Depressed market conditions in most sectors in which the Corporation operates adversely affected its earnings and cash flows in both 1983 and 1982. However, its balance sheet liquidity position was materially improved in 1983 by equity financing totaling $180.8 million. The current ratio improved from 1.3:1 in 1982 to 1.7:1 in 1983 as a result of the short-term investment of approximately $50 million of equity proceeds by HBMS, which together with a decrease in short-term debt resulted in working capital increasing from $63.5 million at the end of 1982 to $133.1 million at the end of 1983. As a result of its unique capital structure, under which HBMS Special Shares are convertible into Common Shares of the Corporation, the Corporation was able in 1983 to successfully tap the Canadian equity market.

At the end of 1983 the Corporation's total debt was 43.9% of total capitalization (short- and long-term debt plus stockholders' equity) versus 53.7% at the end of 1982, as a result of the equity issues. Total debt at the end of 1983 stood at $405.9 million, down $60.5 million from the 1982 level, due to the repayment of debt at Inspiration Coal and Trend International and a reduction at HBMS, with some offsetting increase at the corporate level, following the Corporation's policy to consolidate debt at the parent company level. The Corporation had unused commitments for long-term financing of $129.8 million at the end of 1983, plus additional short-term lines of $72.0 million.

Despite the depressed operating results of the last three years, the Corporation's operations generated positive cash flows, before debt repayments and capital expenditures, in both 1981 and 1982, and a small negative cash flow of less than $2 million in 1983. This allowed the full proceeds of the equity issues to be applied against bank indebtedness primarily incurred to finance acquisitions and capital expenditures, and short-term investments.

Capital expenditures in 1983 were 38.5% below the 1982 level, which had in turn been 41.1% below that spent in 1981, primarily reflecting reduced spending at the base metal operations, where most of the planned upgrading of metallurgical facilities has now been completed. Capital expenditures at all operations are being strictly limited to those essential to maintain production, with certain limited exceptions where capital is of a strategic nature. The 1984 capital spending budget is $136.1 million.

						December 31, 1983
(in thousands)	Metals	Petroleum	Agricultural Chemicals	Coal	Corporate	Consolidated
Revenues						
Net sales						
United States	$171,671	$ 18,005	$247,019	$ 39,221	$ —	$ 475,916
Indonesia	—	40,116	—	—	—	40,116
Canada	242,769[a]	3,327	—	—	—	246,096
	414,440	61,448	247,019	39,221	—	762,128
Interest and other income	4,856	4,358	7,442	1,193	(3)	17,846
Total revenues	$419,296	$ 65,806	$254,461	$ 40,414	$ (3)	$ 779,974
Operating Profit (Loss)						
United States	$ (18,953)	$ (114)	$ (10,867)	$ (9,164)	$ (3)	$ (39,101)
Indonesia	—	22,722	—	—	—	22,722
Canada	(7,908)	2,602	—	—	—	(5,306)
	$ (26,861)	$ 25,210	$ (10,867)	$ (9,164)	$ (3)	(21,685)
Corporate and unallocated expenses						(11,704)
Interest expense						(50,230)
Benefit of income taxes, mining taxes and royalties						962
Net loss						$ (82,657)
Identifiable Assets						
United States	$222,575	$166,422	$173,139	$139,092	$5,833	$ 707,061
Indonesia	—	53,159	—	—	—	53,159
Canada	340,972	9,897	—	42	—	350,911
Total identifiable assets	$563,547	$229,478	$173,139	$139,134	$5,833	$1,111,131
Depreciation, Depletion and Amortization	$ 45,090	$ 18,994	$ 7,818	$ 2,769	$ 765	$ 75,436
Capital Expenditures	$ 37,322	$ 24,786	$ 8,299	$ 702	$ 488	$ 71,597

(a) Includes export sales of $179,889,000, including $137,074,000 to the United States and the remainder to Europe.

December 31, 1982

(in thousands)	Metals	Petroleum	Agricultural Chemicals	Coal	Corporate	Consolidated
Revenues						
Net sales						
United States	$140,310	$ 15,228	$273,343	$ 70,552	$ —	$ 499,433
Indonesia	—	52,403	—	—	—	52,403
Canada	201,164[a]	2,890	—	—	—	204,054
	341,474	70,521	273,343	70,552	—	755,890
Interest and other income	9,576	4,888	7,946	1,495	(53)	23,852
Total revenues	$351,050	$ 75,409	$281,289	$ 72,047	$ (53)	$ 779,742
Operating Profit (Loss)						
United States	$ (13,888)	$ (1,146)	$ (6,534)	$ (5,397)	$ (53)	$ (27,018)
Indonesia	—	33,002	—	—	—	33,002
Canada	(33,799)	2,040	—	—	—	(31,759)
	$ (47,687)	$ 33,896	$ (6,534)	$ (5,397)	$ (53)	(25,775)
Corporate and unallocated expenses						(6,592)
Interest expense						(49,323)
Benefit of income taxes, mining taxes and royalties						9,348
Loss before extraordinary item						$ (72,342)
Identifiable Assets						
United States	$217,519	$158,335	$198,386	$146,781	$1,866	$ 722,887
Indonesia	—	40,392	—	—	—	40,392
Canada	324,635	4,360	—	—	—	328,995
Total identifiable assets	$542,154	$203,087	$198,386	$146,781	$1,866	$1,092,274
Depreciation, Depletion and Amortization	$ 37,024	$ 16,558	$ 8,190	$ 4,197	$ —	$ 65,969
Capital Expenditures	$ 44,863	$ 27,705	$ 13,138	$ 30,803	$ —	$ 116,509

(a) Includes export sales of $145,949,000, including $92,425,000 to the United States and the remainder to Europe.

(in thousands)	Metals	Petroleum	Agricultural Chemicals	Coal	Corporate	Consolidated
						December 31, 1981
Revenues						
Net sales						
United States	$157,701	$ 15,380	$319,134	$ 48,490	$ —	$ 540,705
Indonesia	—	53,982	—	—	—	53,982
Canada	243,158[(a)]	2,157	—	—	—	245,315
	400,859	71,519	319,134	48,490	—	840,002
Interest and other income	34,017[(b)]	6,111	8,280	1,511	606	50,525
Total revenues	$434,876	$ 77,630	$327,414	$ 50,001	$ 606	$ 890,527
Operating Profit (Loss)						
United States	$ (12,508)	$ 1,434	$ 16,010	$ 1,767	$ 606	$ 7,309
Indonesia	—	37,678	—	—	—	37,678
Canada	(1,405)	1,639	—	—	—	234
	$ (13,913)	$ 40,751	$ 16,010	$ 1,767	$ 606	45,221
Corporate and unallocated expenses						(1,779)
Interest expense						(29,319)
Provision for income taxes, mining taxes and royalties						(27,175)
Net loss						$ (13,052)
Identifiable Assets						
United States	$234,334	$196,944	$194,546	$117,343	$12,947	$ 756,114
Indonesia	—	24,263	—	—	—	24,263
Canada	344,839	2,864	—	—	—	347,703
Total identifiable assets	$579,173	$224,071	$194,546	$117,343	$12,947	$1,128,080
Depreciation, Depletion and Amortization	$ 37,838	$ 15,043	$ 6,737	$ 3,395	$ —	$ 63,013
Capital Expenditures	$105,206	$ 56,453	$ 34,591	$ 1,564	$ —	$ 197,814

(a) Includes export sales of $152,160,000, including $122,505,000 to the United States and the remainder to Europe.
(b) Includes $10,402,000 gain on the sale of a metal subsidiary's investment in a coal property.

Responsibilities for Financial Statements

The accompanying consolidated financial statements of Inspiration Resources Corporation and subsidiaries have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances. The integrity and objectivity of data in these financial statements and accompanying notes and supplemental data, including estimates and judgments related to matters not concluded by year-end, are the responsibility of management.

Management devotes ongoing attention to review and appraisal of its system of internal control. This system is designed to provide reasonable assurance, at appropriate cost, that assets are safeguarded and transactions and events are properly recorded. The system is augmented by careful attention to selection and development of qualified financial personnel, programs to further timely communication and monitoring of policies, and periodic review by internal auditors. The system is also evaluated by independent accountants during their examinations of the annual financial statements.

These financial statements have been examined by our independent accountants. Their report expresses their opinion that the financial statements present fairly our financial position and results of operations in conformity with generally accepted accounting principles. Their examinations are conducted in accordance with generally accepted auditing standards and include a review of internal controls and sufficient tests to provide them with reasonable assurance that the financial statements neither are materially misleading nor contain material errors.

Senior Vice President,
Administration

Report of Independent Accountants

To the Board of Directors and Stockholders of Inspiration Resources Corporation:

In our opinion, based upon our examinations and the reports of other independent accountants referred to below, the accompanying consolidated statement of financial position and the related consolidated statements of operations and changes in stockholders' equity and of changes in financial position present fairly the consolidated financial position of Inspiration Resources Corporation and its subsidiaries at December 31, 1983 and 1982 and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1983 in conformity with generally accepted accounting principles consistently applied. Our examinations of these consolidated financial statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Trend International Limited (TIL) and Trend Exploration Limited (TEL) and, in 1982 and 1981, Hudson Bay Mining and Smelting Co., Limited (HBMS), consolidated subsidiaries, which statements reflect total assets constituting approximately 20% and 48% of consolidated assets at December 31, 1983 and 1982 and total revenues constituting 8%, 36% and 36% of consolidated revenues for the years ended December 31, 1983, 1982 and 1981, respectively. These statements were examined by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for TIL, TEL and HBMS, is based solely upon the reports of the other independent accountants.

Price Waterhouse

153 East 53rd Street
New York, New York

February 28, 1984,
except as to
Note 14, which is
as of March 8, 1984

(in thousands)	At December 31 1983	1982
Assets		
Cash and short-term investments	**$ 74,051**	$ 21,786
Accounts receivable, less allowance for doubtful accounts of $2,267,000 in 1983 and $2,574,000 in 1982	**107,585**	119,037
Inventories	**130,352**	148,197
Income taxes recoverable	**5,496**	7,761
Total Current Assets	**317,484**	296,781
Investments	**110,406**	97,169
Property, plant and equipment, net	**650,592**	664,494
Other assets	**32,649**	33,830
Total Assets	**$1,111,131**	$1,092,274
Liabilities and Stockholders' Equity		
Accounts payable	**$ 83,568**	$ 103,545
Debt due within one year	**55,041**	78,484
Accrued liabilities	**40,695**	43,117
Income and other taxes payable	**5,039**	8,180
Total Current Liabilities	**184,343**	233,326
Long-term debt	**350,901**	387,998
Deferred income taxes	**41,352**	51,596
Other liabilities	**16,524**	16,592
Total Liabilities	**593,120**	689,512
Stockholders' Equity		
Capital stock	**74,495**	35,813
Paid-in surplus	**367,654**	218,804
Valuation allowance	**—**	(19,715)
Currency translation adjustment	**(17,765)**	(15,171)
Retained earnings	**93,627**	183,031
Total Stockholders' Equity	**518,011**	402,762
Total Liabilities and Stockholders' Equity	**$1,111,131**	$1,092,274

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Operations

(in thousands, except per share amounts)	1983	1982	1981
	Year Ended December 31		
Revenues			
Net sales	**$762,128**	$755,890	$840,002
Interest and other income	**17,846**	23,852	50,525
	779,974	779,742	890,527
Costs and Expenses			
Cost of sales	**700,172**	703,945	743,754
Depreciation, depletion and amortization	**75,436**	65,969	63,013
Exploration expense	**2,947**	7,675	11,166
General and administrative expense	**34,808**	34,520	29,152
Interest expense	**50,230**	49,323	29,319
	863,593	861,432	876,404
Earnings (loss) before taxes and extraordinary item	**(83,619)**	(81,690)	14,123
Benefit of (provision for) income taxes, mining taxes and royalties	**962**	9,348	(27,175)
Loss before extraordinary item	**(82,657)**	(72,342)	(13,052)
Extraordinary gain on sale of power plant	**—**	44,979	—
Net Loss	**$ (82,657)**	$ (27,363)	$ (13,052)
Loss per share:			
Before extraordinary item	**$(3.82)**	$(4.45)	$(.80)
After extraordinary item	**$(3.82)**	$(1.68)	$(.80)

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Stockholders' Equity

(in thousands)	Capital Stock	Paid-In Surplus	Valuation Allowance	Translation Adjustment	Retained Earnings	Total
Balance at December 31, 1980	$35,813	$ 89,135	$ —	$(12,600)	$244,577	$356,925
Net loss					(13,052)	(13,052)
Dividends [(a)]					(8,944)	(8,944)
Stockholder contribution		101,487				101,487
Foreign translation adjustment				1,037		1,037
Balance at December 31, 1981	35,813	190,622	—	(11,563)	222,581	437,453
Net loss					(27,363)	(27,363)
Dividends [(a)]					(12,187)	(12,187)
Stockholder contribution		28,182				28,182
Foreign translation adjustment				(3,608)		(3,608)
Valuation allowance adjustment			(19,715)			(19,715)
Balance at December 31, 1982	35,813	218,804	(19,715)	(15,171)	183,031	402,762
Net loss					(82,657)	(82,657)
Stock dividend	1,452	5,263			(6,747)	(32)
HBMS Special Share offering	30,594	38,729				69,323
Stockholder share purchases	8,204	103,290				111,494
Exchanges of HMBS Special Shares	(1,568)	1,568				—
Foreign translation adjustment				(2,594)		(2,594)
Valuation allowance adjustment			19,715			19,715
Balance at December 31, 1983	**$74,495**	**$367,654**	**$ —**	**$(17,765)**	**$ 93,627**	**$518,011**

(a) Cash dividends paid to former subsidiary stockholders who, subsequent to the reorganization, became stockholders of the Corporation.

See accompanying notes to the consolidated financial statements.

(in thousands)	1983	1982	1981
		Year Ended December 31	
Sources of Cash			
Operations:			
Loss before extraordinary item	**$(82,657)**	$(72,342)	$(13,052)
Add (deduct) non-cash items:			
Depreciation, depletion and amortization	**75,436**	65,969	63,013
Deferred taxes	**(10,307)**	(22,131)	4,356
Other income and expense items not affecting cash	**9,576**	7,411	2,719
Decrease (increase) in current assets:			
Accounts receivable	**11,452**	16,517	(25,463)
Inventories	**17,845**	25,079	(35,689)
Income taxes receivable	**2,265**	(5,929)	(1,832)
Increase (decrease) in current liabilities:			
Accounts payable	**(19,977)**	5,589	16,245
Accrued liabilities	**(2,422)**	(3,577)	2,375
Income and other taxes payable	**(3,141)**	(4,285)	(8,607)
Cash provided by (used in) operations	**(1,930)**	12,301	4,065
Proceeds from sale of power plant	**—**	17,742	28,343
Other, net	**1,689**	(15,770)	(12,326)
Total sources	**(241)**	14,273	20,082
Uses of Cash			
Capital expenditures	**(71,597)**	(116,509)	(197,814)
Dividends paid by subsidiaries[a]	**—**	(12,187)	(8,944)
Acquisition of subsidiaries, net of working capital acquired	**—**	(13,454)	(106,909)
Total uses	**(71,597)**	(142,150)	(313,667)
Decrease in cash and short-term investments before financing activities	**(71,838)**	(127,877)	(293,585)
Financing Activities			
Proceeds from sale of capital stock and warrants	**180,817**	—	—
Stockholder contributions	**—**	28,182	101,487
Proceeds from long-term borrowings	**191,834**	101,844	218,922
Reduction of long-term debt	**(228,931)**	(92,684)	(12,923)
Increase (decrease) in debt due within one year	**(23,443)**	57,962	6,146
Cash realized from (used for) investments	**3,826**	18,066	(87,027)
Net proceeds from financing activities	**124,103**	113,370	226,605
Increase (decrease) in cash and short-term investments	**$ 52,265**	$(14,507)	$(66,980)

(a) Represents dividends paid to former subsidiary stockholders who, subsequent to the reorganization, became stockholders of the Corporation.

See accompanying notes to the consolidated financial statements.

1. Summary of Significant Accounting Policies

Basis of presentation:
The consolidated financial statements of Inspiration Resources Corporation (the Corporation) are prepared in conformity with generally accepted accounting principles in the United States and are presented in U.S. dollars. The consolidated financial statements include the following significant subsidiary companies: Hudson Bay Mining and Smelting Co., Limited (HBMS), Inspiration Consolidated Copper Company (ICC), Trend International Limited (TIL), Trend Exploration Limited (TEL), Terra Chemicals International, Inc. (Terra) and Inspiration Coal Inc. (ICI). The Corporation follows the equity method of accounting for its interests in partnerships and joint ventures, and for associated companies in which it owns from 20% to 50% of the equity and exercises a significant influence.

Effective July 6, 1983, the Corporation, HBMS and Minerals and Resources Corporation Limited (Minorco) completed a reorganization in which the joint interests of HBMS and Minorco in the Inspiration Resources group and TIL were consolidated into Inspiration Resources Corporation, a U.S. public company. HBMS and TIL became wholly-owned subsidiaries of the Corporation and Minorco retained an equity interest in the Corporation of approximately 60%. Effective December 30, 1983, TEL, which had previously been a wholly-owned subsidiary of TIL, was transferred to the Corporation in the form of a dividend and as of that date, TEL became a direct subsidiary of the Corporation. The consolidated financial statements and notes give effect to this reorganization of companies under common control and all adjustments necessary to account for the reorganization have been reflected herein.

Certain prior period amounts have been reclassified to conform with current year presentation. In addition, prior period per share amounts have been restated to reflect the impact of the 2% stock dividend paid December 21, 1983.

Inventories:
Metals, agricultural chemicals, coal and all other saleable products are valued at the lower of cost or estimated net realizable value. Metal by-products are recorded at estimated net realizable value. The cost of all agricultural chemicals and of certain domestic metals inventories, including all finished goods and metals in process at refineries, is determined using the last-in, first-out (LIFO) method. All other inventories are reported on the first-in, first-out (FIFO) basis.

Property, plant and equipment:
Mineral properties — Exploration costs with respect to operating mines or mines in the development stage are capitalized and amortized by the unit-of-production method based on estimated recoverable reserves. All other mineral exploration costs are expensed as incurred.

Mine development expenditures — Major mine development expenditures are capitalized and amortized by the unit-of-production method based on estimated recoverable reserves.

Petroleum and natural gas properties — The full cost method of accounting is followed whereby all costs relating to the exploration for, and development of, petroleum and natural gas properties are capitalized, whether productive or non-productive. Cost centers are established on a country-by-country basis. Proceeds from the disposal of properties are recorded as asset reductions without recognition of gain or loss. Capitalized costs are amortized by the unit-of-production method based on estimated proved reserves.

Plant and equipment—Expenditures for plant and equipment additions, major replacements and improvements are capitalized. Maintenance and repairs are charged to operations as incurred. Depreciation of plant and equipment is charged to expense on a straight-line basis over estimated useful lives or by the unit-of-production method based on estimated recoverable reserves.

Foreign currency translation:
Currency translation adjustments arise from the translation of the assets and liabilities of HBMS from Canadian dollars to United States dollars in accordance with Statement of Financial Accounting Standards No. 52.

Business segments:
Business segments information for the years ended December 31, 1983, 1982 and 1981 appearing elsewhere in this Annual Report is an integral part of these financial statements.

2. Acquisitions

During 1981, the Corporation acquired all of the outstanding common stock of three coal mining operations. Sovereign Coal Group, Inc. and its associated company, Harman Mining Corporation, were purchased at a total cost of $151,602,000 including redundant working capital of $59,602,000, and Bailey Mining Company, Inc. was acquired for $250,000.

In June 1981, the Corporation purchased the remaining 45% of the outstanding common stock of Terra for $51,147,000 and in May 1982 it also acquired the remaining minority interest in TIL for $12,577,000.

The acquisitions have been accounted for using the purchase method with the results of operations of each acquired company consolidated with those of the Corporation giving effect to the respective dates of acquisition. Current assets and all liabilities are included in the Consolidated Statement of Financial Position at their estimated fair values. The excess of the acquisition cost over the book value of net assets acquired has been allocated to noncurrent assets, principally property, plant and equipment.

Assets acquired and liabilities assumed were as follows:

(in thousands)	1982	1981
Property, plant and equipment (net)	$ 15,724	$130,530
Other assets	1,061	7,546
	16,785	138,076
Noncurrent liabilities	3,331	25,586
Minority interest in preferred stock	—	5,581
	13,454	106,909
Net current assets (liabilities)	(877)	96,090
	$ 12,577	$202,999

Had the acquisitions described above occurred on January 1, 1981, the pro forma unaudited results of operations would have been as follows:

(in thousands)	1982	1981
Revenues	$779,742	$916,699
Net loss	(26,699)	(13,656)
Loss per share	$ (1.64)	$ (.84)

3. Inventories

Inventories consisted of the following at December 31:

(in thousands)	**1983**	1982
Metals — work in process	**$ 58,541**	$ 59,226
— finished goods	**4,223**	2,293
Agricultural chemicals		
—work in process	**3,708**	3,788
—finished goods	**48,530**	66,800
Coal — finished goods	**1,366**	1,998
Materials and supplies	**13,984**	14,092
	$130,352	$148,197

During 1983, 1982 and 1981, liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years had the effect of reducing the Corporation's net loss by approximately $1,562,000, $2,646,000 and $652,000, respectively. Had the FIFO method of inventory valuation been used, total inventories would have been $19,006,000 and $22,468,000 higher than reported amounts at December 31, 1983 and 1982, respectively.

4. Income Taxes, Mining Taxes and Royalties

The Corporation and certain subsidiaries are reporting entities for income tax purposes in the United States, Canada and Indonesia. For U.S. Federal income tax purposes, the Corporation is in a loss position on a consolidated basis and does not record future income tax benefits. U.S. Federal income taxes have not been provided on the unremitted earnings of foreign subsidiaries since such earnings are deemed to be permanently reinvested. Tax allocation is used by an indirect, domestic subsidiary not included in the Corporation's U.S. Federal income tax return and by foreign subsidiaries providing Canadian and Indonesian income taxes.

Components of U.S. Federal and foreign income taxes, and mining taxes and royalties are as follows:

(in thousands)	**1983**	1982	1981
Benefit of (provision for) income taxes:			
Current — U.S.	**$ 278**	$ 8,475	$ (5,442)
— Foreign	**(8,567)**	(20,031)	(13,959)
Deferred — U.S.	**2,342**	5,066	(1,943)
— Foreign	**7,034**	18,104	(2,585)
	1,087	11,614	(23,929)
Benefit of (provision for) mining taxes and royalties:			
Current	**(1,056)**	(1,227)	(3,418)
Deferred	**931**	(1,039)	172
	(125)	(2,266)	(3,246)
	$ 962	$ 9,348	$(27,175)

Deferred income taxes result from differences in the timing of deductions for financial reporting and income tax purposes. Results of operations for the years ended December 31, 1983 and 1982, as reported, were net of $9,376,000 and $23,170,000, respectively, of deferred income tax benefits related primarily to current year operating losses. These income tax benefits will be realized for income tax purposes in future periods. An analysis of deferred income taxes follows:

(in thousands)	**1983**	1982	1981
Depreciation and depletion	**$ 6,391**	$ 8,972	$(3,607)
Amortization of mine development	**(1,968)**	(3,759)	(691)
Exploration expenditures	**1,289**	2,830	579
Current loss	**3,102**	16,890	—
Other	**562**	(1,763)	(809)
	$ 9,376	$23,170	$(4,528)

Income (loss) before income taxes and extraordinary item, but after deduction of mining taxes and royalties, is as follows:

(in thousands)	**1983**	1982	1981
United States	**$(107,388)**	$(100,898)	$(44,699)
Foreign	**23,644**	16,942	55,576
	$ (83,744)	$ (83,956)	$ 10,877

Reconciliation of the U.S. Federal statutory income tax rate to the effective income tax rate is as follows:

	1983	1982	1981
Statutory income tax (recovery) rate	**(46.0)%**	(46.0)%	46.0%
Unrecognized tax effect of certain subsidiaries' losses	**48.4**	42.7	209.1
Inventory allowance	**(.8)**	(1.1)	(5.8)
Difference between U.S. and foreign tax rates	**(5.0)**	(14.3)	(36.0)
Historical deferred tax credit rates	**1.6**	8.2	14.5
Nontaxable income	**(.7)**	(2.2)	(22.6)
Dividend from foreign subsidiary	**5.5**	—	—
Capitalized financing costs	**(2.4)**	—	—
Non-deductible expenses	**2.8**	—	—
Tax recovery	**(4.3)**	—	—
Tax credits and rebates	**(.7)**	—	(5.9)
Other	**.3**	(1.1)	20.7
Effective income tax (recovery) rate	**(1.3)%**	(13.8)%	220.0%

At December 31, 1983, the Corporation had unrecorded net operating loss carryforwards of $230,000,000 expiring in varying amounts from 1992 through 1998 and unrecorded investment tax credit carryforwards of $12,929,000 expiring in varying amounts from 1989 through 1998.

5. Investments

The Corporation acquired a 27% interest in Adobe Oil & Gas Corporation (Adobe) in August 1981 for $86,039,000. This investment is accounted for by the cost method because the Corporation does not exercise a significant influence over Adobe. At December 31, 1983, the market value of this investment exceeded its carrying value by approximately $566,000. At December 31, 1982, a temporary decline in market value of $19,715,000 was recognized by charging the valuation allowance account, a separate component of stockholders' equity.

6. Property, Plant and Equipment

Property, plant and equipment consisted of the following at December 31:

(in thousands)	**1983**	1982
Metals—property, plant and equipment	**$ 585,668**	$ 591,143
—unamortized mine development expenditures	**55,932**	42,852
Petroleum	**223,228**	200,348
Agricultural chemicals	**85,523**	77,789
Coal—property, plant and equipment	**127,922**	127,831
—unamortized mine development expenditures	**1,249**	—
	1,079,522	1,039,963
Less accumulated depreciation, depletion and amortization	**(428,930)**	(375,469)
	$ 650,592	$ 664,494

During 1983, certain mining and related operations were in production at levels significantly below normal operating capacity or temporarily idled for a significant part of the year as a cost containment measure. In the opinion of management, no reduction in the carrying value of the Corporation's investments is required as there has been no permanent decline in value.

7. Debt Due Within One Year

Debt due within one year consisted of the following at December 31:

(in thousands)	**1983**	1982
Short-term borrowings	**$50,000**	$ 7,900
Current maturities of long-term debt	**5,041**	70,584
	$55,041	$78,484

The Corporation and its subsidiaries have unsecured short-term lines of credit with banks aggregating approximately $122,000,000, of which $72,000,000 were available at December 31, 1983. Interest is charged at current market rates. With respect to $30,000,000 of these lines, working capital and borrowing restrictions apply and commitment fees of 3/8 of 1% are charged on the unused portion. Compensating balances, which are not legally restricted, are required under $20,000,000 of the lines. All the lines of credit are subject to periodic review by the banks and generally may be withdrawn at any time.

8. Long-term Debt

Long-term debt consisted of the following at December 31:

(in thousands)	1983	1982
Revolving Credit Facilities	**$252,400**	$220,822
Unsecured Debentures, 9% and 10½%, due 1991 and 1995	**52,196**	59,385
Unsecured Notes, 8¾% to 10%, due 1984 to 1998	**32,100**	29,500
Unsecured 9% notes	**—**	122,615
Industrial Development Bonds, at various rates from 75% of prime to 13½%, due 1984 to 2011	**15,800**	20,777
Other	**3,446**	5,483
	355,942	458,582
Less current portion	**(5,041)**	(70,584)
	$350,901	$387,998

Sinking fund and principal payments for each of the five years 1984 through 1988 are $5,041,000, $132,818,000, $7,409,000, $9,322,000 and $38,239,000, respectively. The Corporation presently intends to refinance during 1984, on a long-term basis, approximately $124,000,000 of the amount shown as maturing in 1985.

During 1983, the Corporation restructured its long-term credit facilities. The Corporation entered into a two-year $25,000,000 loan facility maturing August 31, 1985. In addition, an eight-year revolving credit and term loan facility of $175,000,000 was entered into which provides for revolving borrowings to December 31, 1987. At that time, the outstanding principal amount will convert to a term loan payable in eight equal semi-annual installments. A five-year interest exchange agreement was signed in March 1983 fixing the interest rate on $25,000,000 of floating rate borrowings at 12.14%. In February 1984, the rate on an additional $25,000,000 was fixed at 12.85% for five years.

Previously existing long-term revolving credit and term loan facilities totaling $301,000,000 were canceled by the Corporation and certain subsidiaries during 1983. A subsidiary also reduced an $80,000,000 credit facility to a $40,000,000 revolving credit facility, which will convert to a four-year term loan in 1984 unless the revolving period is extended.

On December 30, 1983, agreement was reached to modify the $150,000,000 long-term revolving credit agreement of a subsidiary to reduce interest rates, eliminate restrictive covenants and release all security in consideration for an unconditional guarantee by the Corporation. The facility was subsequently arranged at the parent company level in early 1984 as a thirteen-month revolving credit facility and the subsidiary's arrangement was canceled.

Of the $390,000,000 of long-term credit facilities in place at year end, $129,838,000 was unused at December 31, 1983. Borrowings under these facilities bear interest at market rates under a variety of formulas. Commitment fees of ¼- to ⅜-of-1% are charged on the unused portions. The agreements also impose certain restrictions on the Corporation and its subsidiaries with respect to indebtedness, investments, liens and disposal of property and require the Corporation to meet certain financial tests on a consolidated basis, including a minimum tangible net worth test. At December 31, 1983, the Corporation was in compliance with all such restrictions.

In December 1983, the Corporation lodged with the trustee of certain pollution control revenue bonds sufficient U.S. government securities to provide for the legal defeasance of the debt issue pursuant to the terms of the indenture. The outstanding balance under this issue immediately prior to the date of the transaction was approximately $14,100,000, net of $75,900,000 of unspent funds held by the trustee. The loss on this transaction, including the write-off of unamortized debt issuance costs, totaled $1,703,000 and is included in other income in the Consolidated Statement of Operations.

Interest expense, as reported, is net of amounts capitalized on major construction projects of $2,636,000, $8,283,000 and $5,798,000 for the years ended December 31, 1983, 1982 and 1981, respectively.

9. Commitments and Contingencies

The Corporation and its subsidiaries are committed to various noncancelable operating leases for offices, mining and related equipment and storage facilities expiring at various dates through 1998. Aggregate minimum rental payments are as follows:

(in thousands)	
1984	$10,102
1985	8,411
1986	5,939
1987	4,634
1988 and thereafter	18,570

Total rental expense under all leases, including short-term cancelable operating leases, was approximately $11,621,000, $10,888,000 and $8,729,000 for the years ended December 31, 1983, 1982 and 1981, respectively.

The Corporation is self-insured for a significant portion of a subsidiary's workers' compensation claims related to traumatic and Black Lung benefits. Traumatic injury claims are charged to operations in the year of occurrence. Anticipated Black Lung benefits, based on an actuarial study, are provided for by annual charges to operations.

A subsidiary of the Corporation is required to redeem $510,000 of its preferred stock held by minority stockholders each year until all of the preferred stock is redeemed. At December 31, 1983, $4,298,000 was held by minority stockholders. The subsidiary is also contingently liable at December 31, 1983 for discounted notes subject to recourse aggregating $2,469,000 and is a guarantor of $14,513,000 of first mortgage notes of an ammonia production facility partnership.

A subsidiary of the Corporation sold its potash division assets in 1977 but deferred payment of related Canadian income taxes on the gain by electing to allocate Canadian exploration and certain development expenses incurred for a ten-year period ending in 1987 against the liability. As of December 31, 1983, eligible expenditures of approximately $20,000,000 are required by December 31, 1987 in order to eliminate payment of the related tax obligation of approximately $10,000,000, plus interest.

10. Capital Stock

The Corporation has authorized 43,000,000 Common Shares, 17,000,000 Class A Shares and 16,500,000 Trust Shares. The Common Shares and Class A Shares have a stated value of $1.00 per share and the Trust Shares have a par value of $0.0001 per share plus the stated value of the HBMS Special, Exchangeable, Non-Voting Shares (HBMS Special Shares), approximately $5.56 per share. Holders of Common Shares and Trust Shares are entitled to one vote and holders of Class A Shares to one-tenth of one vote per share, respectively, voting together as a class. Holders of Common Shares and Class A Shares are entitled to share equally, on a per share basis, in dividends and other distributions by the Corporation. Each Class A Share is convertible at any time, at the option of the holder, into one Common Share.

The Trust Shares underlie the HBMS Special Shares on a share-for-share basis. Generally, each HBMS Special Share is exchangeable, at the option of the holder, for one Common Share of the Corporation prior to the automatic exchange date (July 6, 1993, unless extended by HBMS). Holders of HBMS Special Shares generally have no voting rights in HBMS, but through the Trust Shares each has a vote equivalent to one Common Share of the Corporation. Holders of HBMS Special Shares are entitled to any dividend declared and paid on the Corporation's Common Shares.

On August 9, 1983, HBMS sold in Canada 5,500,000 units, each consisting of one HBMS Special Share and one-half HBMS Special Share Purchase Warrant (HBMS warrant), for net proceeds of $69,323,000. Also on August 9, 1983, Minorco acquired 4,297,648 Common Shares, 3,906,480 Class A Shares and 4,102,064 Corporation warrants for an aggregate consideration of $111,494,100, including $30,000,000 previously advanced to the Corporation in 1983. Each HBMS warrant entitles the holder to purchase one HBMS Special Share on or before August 9, 1986 and each Corporation warrant permits Minorco to acquire either one Common Share or Class A Share. The exercise price of all warrants is $16.63.

On December 21, 1983, the Corporation paid a 2% stock dividend to holders of record on December 1, 1983 of Common Shares and Class A Shares. Also on December 21, 1983, HBMS paid an equivalent stock dividend to holders of record on December 1, 1983 of HBMS Special Shares.

A summary of changes in the Corporation's capital stock issued and outstanding follows:

	Common Shares		Class A Shares		Trust Shares		Total	
(in thousands)	Shares	Stated Value	Shares	Stated Value	Shares	Stated Value	Shares	Stated Value
From inception through December 31, 1982	6,956	$ 6,956	4,644	$4,644	4,354	$24,213	15,954	$35,813
HBMS Special Share unit offering	—	—	—	—	5,500	30,594	5,500	30,594
Minorco share purchase	4,298	4,298	3,906	3,906	—	—	8,204	8,204
Exchanges of HBMS Special Shares	344	344	—	—	(344)	(1,912)	—	(1,568)
2% stock dividend	231	231	171	171	189	1,050	591	1,452
December 31, 1983	**11,829**	**$11,829**	**8,721**	**$8,721**	**9,699**	**$53,945**	**30,249**	**$74,495**

The Corporation's 1983 Stock Option Plan, which was adopted by the Board of Directors in August 1983 and is subject to stockholder approval, authorizes the granting, to key employees, of incentive stock options and nonqualified stock options to purchase a maximum of 1,530,000 Common Shares at fair market value on the date of grant. Options generally may not be exercised prior to one year nor more than ten years from the date of grant. At December 31, 1983, nonqualified options to purchase 124,440 Common Shares at $13.113 per share and 142,290 Common Shares at $11.152 per share, all expiring in 1993, were outstanding but not exercisable, and 1,263,270 Common Shares were available for grant.

In addition, options to purchase 26,979 Common Shares at $12.85 per share, expiring in 1987, and 5,865 Common Shares at $14.44 per share, expiring in 1988, were outstanding and exercisable under the HBMS 1981 Share Option Plan. These options were converted in the reorganization into options to purchase Common Shares of the Corporation. No additional options will be granted under the 1981 HBMS Share Option Plan.

At December 31, 1983, 26,841,000 Common Shares were reserved for issuance upon conversion of Class A Shares, exchange of HBMS Special Shares and exercise of warrants and options.

Loss per share data is based on the weighted average number of Common Shares that would become outstanding for the period after allowing for the full exchange of HBMS Special Shares and conversion of Class A Shares.

11. Interest and Other Income

Interest and other income consisted of the following for the years ended December 31:

(in thousands)	**1983**	1982	1981
Interest income	**$ 7,303**	$11,609	$15,463
Fertilizer service revenue	**4,127**	3,123	2,948
Leasing income	**3,586**	3,174	2,482
Joint venture earnings (loss)	**772**	(1,863)	5,552
Gain on sale of coal property	**—**	—	10,402
Gain on forward metal sales	**—**	—	5,082
Other, net	**2,058**	7,809	8,596
	$17,846	$23,852	$50,525

12. Retirement Plans

The Corporation and its subsidiaries maintain non-contributory pension plans that cover substantially all salaried and hourly employees. The Corporation charges pension costs as accrued based upon periodic independent actuarial valuations for each plan and funds the plans with independent trustees. Generally, the Corporation funds pension costs as they accrue. The total cost of plans, including amortization of past service costs over periods not exceeding 40 years, was approximately $4,564,000 in 1983, $6,301,000 in 1982 and $7,465,000 in 1981. As permitted in Canada, a portion of the excess of plan assets and balance sheet accruals over the present value of accumulated plan benefits with respect to certain Canadian plans may be returned to the plan sponsor. This excess is being amortized over a ten-year period beginning in 1983 and had the impact of reducing 1983 pension expense by approximately $1,700,000.

With respect to domestic plans, at December 31, 1982 and 1981, the dates of the latest actuarial reviews, the actuarial present value of accumulated plan benefits, substantially all of which are vested, totaled $53,361,000 and $45,758,000, respectively, while plan net assets available for benefits were approximately $52,682,000 and $41,937,000, respectively. The assumed rates of return used in determining the actuarial present value of plan benefits ranged from 6 to 8%.

Pension expense for union employees covered by retirement plans administered by the Trustees of the United Mine Workers of America Health and Retirement Fund was $232,000 in 1983, $476,000 in 1982 and $642,000 in 1981. The relative position with respect to plan assets and accumulated plan benefits in this multi-employer plan has not been determined.

13. Extraordinary Item

A power plant at Island Falls, Saskatchewan, Canada and certain ancillary assets were transferred, under provincial statutes, to Saskatchewan Power Corporation on April 1, 1981. Payments, net of tax provisions and related expenses, of $17,742,000 and $28,343,000 were received in 1982 and 1981, respectively. Due to the uncertainty of the amount of the consideration, recognition of the gain was deferred until 1982 when an extraordinary capital gain of $44,979,000, after related expenses and tax provision of $4,047,000, was recorded.

14. Exchange of Oil and Gas Assets Subsequent to December 31, 1983

Effective March 8, 1984, the Corporation entered into definitive agreements with The Madison Fund, Inc. (Madison) and Danville Resources, Inc. (Danville) under which all of the shares of the Corporation's wholly-owned subsidiaries, TIL and TEL, including the 27% interest in Adobe held by TEL, and certain investments of Danville will be transferred to Madison in exchange for new Madison shares. Danville will have approximately a 53% interest in Madison and the Corporation will have approximately a 58% interest in Danville on a fully-diluted basis. The transaction, which will be submitted for shareholder ratification at Madison's stockholder meeting on May 24, 1984, will be accounted for by the purchase method. Accordingly, the results of operations of Danville, which will consolidate the results of Madison, TIL and TEL, will be included with those of the Corporation for periods subsequent to the transaction date.

Impact of Inflation

In response to the concern that historical cost accounting disclosures do not adequately portray the cost of doing business and raising necessary capital, particularly during periods of extended inflation, the following experimental disclosures of certain financial information, adjusted for changes in the general price level (constant dollar data) and for changes in specific price levels (current cost data), are presented to supplement the traditional financial statements.

In applying the constant dollar method, property, plant and equipment, inventories, and cost of sales and operating expenses originally expressed in U.S. dollars have been restated into average 1983 constant dollars by applying, as required, the U.S. Consumer Price Index for All Urban Consumers. Similarly, amounts originally stated in Canadian dollars have been restated into average 1983 constant dollars by applying, as required, the Canadian Consumer Price Index for All Items. These Canadian amounts were subsequently translated to U.S. dollars at the year-end rates of exchange.

In applying the current cost method, historical costs have been translated by applying specific price indexes except for oil and gas assets which have been translated with a general price index. The current costs of inventories, cost of sales and operating expenses are based on recent production or manufacturing costs. Depreciation, depletion and amortization have been calculated by applying the rates and methods used in historical cost accounting to the values of property, plant and equipment expressed in constant dollars and at current cost.

As shown in the table, the constant dollar and current cost amounts for cost of sales vary only slightly from the historical amount, principally because the Corporation uses the LIFO method to account for a significant portion of inventories. Under the LIFO method of inventory valuation, cost of sales tends to reflect current rather than historical production or manufacturing costs. The historical amount, however, includes the effect of liquidating LIFO inventories, which is not present under constant dollar or current cost methods.

Historical financial statements report depreciation, depletion and amortization expense based on the original cost of fixed assets, rather than on the higher current cost to replace the productive capacity of these assets. The $82,657,000 reported as net loss in the historical cost financial statements is equivalent to $130,736,000 under the constant dollar method and to $128,862,000 based on current costs. It should be noted that the provision for taxes on income is not adjusted for changing prices or current costs because the additional expenses attributable to inflation are not deductible under existing income tax regulations. However, the adjustments made to reflect present economic values increase expenses, especially depreciation expense, and thereby increase the loss before taxes. This illustrates how income tax benefits are reduced by the portion of historical dollar loss which arises solely from changing prices.

Year Ended December 31, 1983	Historical dollars as reported	Constant dollars	Current Cost
(in thousands, except indexes)			
Revenues	$ 779,974	$ 779,974	$ 779,974
Cost of sales	700,172	704,933	703,831
Depreciation, depletion and amortization	75,436	118,754	117,982
Other costs and expenses	87,985	87,985	87,985
	863,593	911,672	909,798
Loss before taxes	(83,619)	(131,698)	(129,824)
Benefit of income taxes, mining taxes and royalties	962	962	962
Net Loss	$ (82,657)	$(130,736)	$(128,862)
Purchasing power gain on net monetary liabilities			$ 18,871
Increase in current cost amounts of inventory and property, plant and equipment			$ 52,134
Effect of general inflation			36,628
Excess of increase in current cost over the effect of general inflation			$ 15,506
Balance sheet data:			
Inventories	$ 130,352		$ 146,987
Property, plant and equipment, net	$ 650,592		$ 817,475
Net assets (stockholders' equity)	$ 518,011		$ 701,529
Cumulative translation adjustment			$ 2,459

Comparative Data	**1983**	1982	1981	1980	1979
Net sales (in thousands) —					
Constant 1983 dollars	**$762,128**	$785,622	$939,130	$965,061	$870,546
Historical	**$762,128**	$755,890	$840,002	$774,208	$620,713
Average U.S. Consumer Price Index (1967 = 100)	**298.5**	289.1	272.4	246.8	217.4
Average Cdn. Consumer Price Index (1971 = 100)	**277.7**	262.5	236.9	210.6	191.2

Petroleum Information

Proved reserves of crude oil, including condensate and natural gas liquids, and natural gas are as follows:

(Oil in thousands of barrels gas in millions of cubic feet)	United States Crude Oil	United States Natural Gas	Indonesia[(a)] Crude Oil	Canada Crude Oil	Canada Natural Gas
Proved Developed and Undeveloped Reserves					
December 31, 1980	2,256	15,884	8,889	593	4,157
Revisions of previous estimates	(177)	(1,783)	4,181	6	(84)
Extensions, discoveries and additions	293	2,915	—	—	—
Production	(334)	(1,385)	(1,420)	(66)	(199)
December 31, 1981	2,038	15,631	11,650	533	3,874
Revisions of previous estimates	9	(5,242)	967	67	218
Extensions, discoveries and additions	892	2,858	—	—	—
Production	(373)	(1,607)	(1,463)	(71)	(179)
December 31, 1982	2,566	11,640	11,154	529	3,913
Revisions of previous estimates	(139)	1,084	(519)	21	141
Extensions, discoveries and additions	627	6,592	—	—	—
Production	(428)	(1,742)	(1,360)	(68)	(167)
December 31, 1983	**2,626**	**17,574**	**9,275**	**482**	**3,887**
Proved Developed Reserves					
December 31, 1980	1,566	12,070	8,889	593	4,157
December 31, 1981	1,853	14,336	11,650	533	3,874
December 31, 1982	2,130	10,173	11,154	529	3,913
December 31, 1983	**2,237**	**15,854**	**9,275**	**482**	**3,887**

(a) Indonesian reserves represent an entitlement to gross reserves in accordance with a production-sharing contract.

The estimates of oil and gas reserves for 1983 were made internally. Reserve estimates for 1982 and 1981 were made by H.K. van Poollen and Associates, Inc. for United States properties, and by McDaniel & Associates Consultants Ltd. for Canadian properties. The entitlement to Indonesian reserves has been calculated internally for all years.

During 1981, the Corporation acquired a 27% interest in Adobe Oil & Gas Corporation (Adobe). This investment has been accounted for on the cost method because the Corporation does not exercise a significant influence over Adobe, and accordingly, no estimated reserve information has been included for Adobe.

Productive wells and oil and gas acreage in which the Corporation held a working interest at December 31, 1983 totaled the following:

	Oil Wells Gross	Oil Wells Net	Gas Wells Gross	Gas Wells Net
United States	265	60.95	77	28.32
Canada	101	3.89	6	.66
Indonesia	232	62.66	1	—
Total	598	127.50	84	28.98

	Undeveloped Acres Gross	Undeveloped Acres Net	Developed Acres Gross	Developed Acres Net
United States	1,396,125	584,305	65,919	20,417
Canada	33,386	11,820	8,501	2,574
Indonesia	2,138,167	920,898	5,672	1,531
Paraguay	27,070,718	2,165,657	—	—
Egypt	1,111,973	222,395	—	—
United Kingdom	25,176	906	—	—

Wells drilled and completed in each of the last three years are as follows:

	1983		1982		1981	
	Gross	**Net**	Gross	Net	Gross	Net
United States:						
Exploratory						
Oil	**1**	**.1**	2	.4	13	3.7
Gas	**3**	**.8**	1	.1	8	1.2
Dry	**9**	**3.6**	13	3.5	57	24.3
Total	**13**	**4.5**	16	4.0	78	29.2
Development						
Oil	**7**	**3.0**	14	4.6	25	5.0
Gas	**6**	**1.6**	2	.2	2	.1
Dry	**8**	**2.7**	4	1.0	6	1.8
Total	**21**	**7.3**	20	5.8	33	6.9
Canada:						
Exploratory						
Oil	**—**	**—**	—	—	—	—
Gas	**—**	**—**	—	—	—	—
Dry	**—**	**—**	—	—	1	.5
Total	**—**	**—**	—	—	1	.5
Development						
Oil	**1**	**—**	4	.1	—	—
Gas	**—**	**—**	—	—	—	—
Dry	**—**	**—**	—	—	—	—
Total	**1**	**—**	4	.1	—	—
Indonesia and Other:						
Exploratory						
Oil	**—**	**—**	—	—	—	—
Gas	**1**	**.3**	—	—	—	—
Dry	**5**	**1.6**	3	.8	1	.3
Total	**6**	**1.9**	3	.8	1	.3
Development						
Oil	**14**	**3.8**	32	8.6	26	7.0
Gas	**—**	**—**	—	—	—	—
Dry	**—**	**—**	—	—	2	.5
Total	**14**	**3.8**	32	8.6	28	7.5

Capitalized costs at December 31 were as follows:

(in thousands)	1983				1982			
	United States	**Indonesia**	**Canada**	**Other[a]**	United States	Indonesia	Canada	Other[a]
Proved properties	**$ 63,076**	**$ 74,422**	**$ 4,120**	**$ —**	$ 72,077	$ 69,826	$ 3,847	$ —
Unproved properties	**61,838**	**15,584**	**—**	**4,231**	40,796	8,524	—	4,110
Accumulated depreciation and depletion	**(42,085)**	**(54,257)**	**(1,907)**	**(1,797)**	(30,891)	(48,160)	(1,634)	—

[a] Primarily Egypt.

Costs incurred for the years ended December 31 were as follows:

(in thousands)	United States	Indonesia	Canada	Other[a]
1983				
Property acquisition costs	**$ 1,804**	**$ —**	**$ —**	**$ —**
Exploration costs	**7,154**	**7,280**	**17**	**121**
Development costs	**4,251**	**4,376**	**273**	**—**
1982				
Property acquisition costs	$ 5,243	$ —	$ —	$ —
Exploration costs	6,605	5,601	24	2,694
Development costs	3,544	5,581	243	—
1981				
Property acquisition costs	$25,315	$3,000	$ —	$ 95
Exploration costs	25,043	440	41	732
Development costs	7,619	4,319	242	—

(a) Primarily Egypt.

At December 31, 1983, $8,320,000 of capitalized acquisition and exploration costs were not subject to depreciation, depletion and amortization, including $6,466,000 related to Indonesian properties and the remainder to properties located in Egypt. Of the total, $210,000 was incurred during 1983, $5,416,000 in 1982 and $2,694,000 in 1981.

Additional seismic work will be performed on these properties during 1984 with exploratory drilling to be done in 1985. At that time, these costs will either be included in an amortization pool or written off.

Sales prices and lifting costs for the years ended December 31 were as follows:

	1983	1982	1981
Sales Prices:			
Crude Oil & Natural Gas Liquids ($ per barrel):			
Canada	**$24.54**	$21.71	$17.81
United States	**27.27**	28.69	32.46
Indonesia	**29.43**	34.88	35.00
Natural Gas ($ per mcf):			
Canada	**$ 2.57**	$ 1.47	$ 1.11
United States	**3.63**	2.80	2.78
Lifting Costs ($ per equivalent barrel): (a)			
Canada	**$ 5.31**	$ 6.94	$ 3.94
United States	**6.30**	7.86	8.98
Indonesia	**10.54**	11.48	9.84

(a) Unit lifting costs are expressed in equivalent units. Gas has been converted to oil based on a relative energy content of 6 mcf to 1 equivalent barrel. Unit costs reflect only production costs, including windfall profit taxes but do not include amortization of capitalized costs or general overhead expenses.

Results of operations for producing activities for the years ended December 31 were as follows:

(in thousands)	United States	Indonesia	Canada
1983[a]			
Revenues	**$18,005**	**$40,116**	**$2,421**
Production costs	**(4,531)**	**(14,334)**	**(479)**
Depreciation, depletion and amortization	**(10,768)**	**(5,411)**	**(191)**
Income taxes	**(955)**	**(12,673)**	**(85)**
	$ 1,751	**$ 7,698**	**$1,666**
1982			
Revenues	$15,228	$51,659	$1,970
Production costs	(5,047)	(16,788)	(700)
Depreciation, depletion and amortization	(10,781)	(5,134)	(330)
Income taxes	49	(16,497)	(624)
	$ (551)	$13,240	$ 316
1981			
Revenues	$14,695	$49,784	$1,728
Production costs	(5,071)	(13,997)	(391)
Depreciation, depletion and amortization	(10,047)	(4,339)	(206)
Income taxes	35	(18,331)	(501)
	$ (388)	$13,117	$ 630

(a) Excludes a valuation provision of $1,797,000 attributable to Egypt, a cost center for which proved reserves have yet to be established.

Results of operations for producing activities reflected above should not be equated with net income because the methodology utilized in computing income taxes differs from that utilized for the primary financial statements. In addition, interest, administrative and other expenses included in the primary financial statements have not been reflected herein and certain revenue and expense items have been classified differently.

Information with respect to standardized measure of discounted future net cash flows relating to proved oil and gas reserves for the years ended December 31 follows:

(in thousands)	United States	Canada	Indonesia	Total
1983				
Future cash inflows from sale of oil and gas	**$121,356**	**$20,939**	**$268,276**	**$410,571**
Future production and development costs	**(41,287)**	**(4,402)**	**(202,986)**	**(248,675)**
Future income tax expense	**(22,210)**	**(4,180)**	**(34,260)**	**(60,650)**
Future net cash flows	**57,859**	**12,357**	**31,030**	**101,246**
10% annual discount	**(19,569)**	**(5,584)**	**(9,743)**	**(34,896)**
Discounted future net cash flows	**$ 38,290**	**$ 6,773**	**$ 21,287**	**$ 66,350**
1982				
Future cash inflows from sale of oil and gas	$116,200	$22,179	$382,398	$520,777
Future production and development costs	(41,967)	(5,459)	(285,261)	(332,687)
Future income tax expense	(19,757)	(3,568)	(52,634)	(75,959)
Future net cash flows	54,476	13,152	44,503	112,131
10% annual discount	(16,889)	(5,558)	(11,318)	(33,765)
Discounted future net cash flows	$ 37,587	$ 7,594	$ 33,185	$ 78,366
1981				
Future cash inflows from sale of oil and gas	$131,252	$ 16,910	$410,121	$558,283
Future production and development costs	(38,378)	(4,259)	(294,196)	(336,833)
Future income tax expense	(23,925)	(2,744)	(62,306)	(88,975)
Future net cash flows	68,949	9,907	53,619	132,475
10% annual discount	(29,275)	(4,089)	(14,143)	(47,507)
Discounted future net cash flows	$ 39,674	$ 5,818	$ 39,476	$ 84,968

An analysis of changes in standardized measure of discounted future net cash flows during the years follows:

(in thousands)	**1983**	1982	1981
Beginning of year	**$ 78,366**	$ 84,968	$ 80,849
Additions, extensions and discoveries less related costs	**16,858**	16,428	10,190
Sales of oil and gas, net of production costs	**(41,198)**	(46,322)	(46,748)
Development costs	**6,545**	6,918	3,985
Changes in prices and production costs	**(30,613)**	(7,188)	(9,287)
Revisions of previous reserve estimates	**(1,102)**	(2,695)	24,978
Income taxes	**16,329**	6,795	11,340
Other	**7,634**	4,513	(5,539)
Accretion of discount	**13,531**	14,949	15,200
End of year	**$ 66,350**	$ 78,366	$ 84,968

The standardized measure of discounted future net cash flows, as prescribed by Statement of Financial Accounting Standards No. 69, is computed using the following methodology. Future cash flows are calculated by applying year-end selling prices to estimated future production of proved oil and gas reserves. Associated future production and development expenses, at current costs, and associated income taxes, computed by using statutory rates adjusted for permanent differences, are then deducted. The future net cash flows are then discounted at the prescribed rate of 10%. The standardized measure of discounted future net cash flows is not intended to be an estimate of fair market value since it does not give any consideration to the varying effects of inflation, risks which differ between domestic and foreign reserves or to probable reserves and unproved acreage. Rather it is provided exclusively for comparative use. However, because of the highly subjective nature of this data, the results may not be comparable to the information presented by other companies containing oil and gas operations.

Mining

Mineral reserves are commercially recoverable quantities, estimated on the basis of geological, geophysical and engineering data. Proven reserves are those with a reasonably high degree of certainty of being mined from known deposits by either primary or improved methods. Probable reserves are less well defined than proven reserves. The term commercially recoverable considers current and future prices and costs. Estimates of reserves can increase or decrease as development and production occur, or as mining, economic or other conditions and technology change.

(tons, pounds and ounces in thousands)	1983	1982	1981	1980
Proven and Probable Mineral Reserves at December 31				
Active Mines:				
Underground (tons)[a]	**18,224**	19,226	20,996	22,538
Copper %	**2.10**	2.30	2.29	2.38
Zinc %	**3.14**	2.54	2.51	2.46
Silver (oz./ton)	**0.98**	0.99	0.97	0.95
Gold (oz./ton)	**0.031**	0.031	0.032	0.032
Open pit (tons)	**189,695**	191,529	220,673	265,333
Copper %	**0.52**	0.54	0.51	0.55
Coal reserves (tons recoverable)	**85,214**	87,239	(b)	—
Inactive Mines:				
Christmas open pit (tons)	**7,567**	7,567	7,567	11,613
Copper %	**0.63**	0.63	0.63	0.62
Ox Hide (tons)	**28,573**	28,573	28,573	(c)
Copper %	**0.30**	0.30	0.30	(c)
Christmas underground (tons)	**20,131**	20,131	20,131	20,131
Copper %	**1.84**	1.84	1.84	1.84
Sanchez (tons)	**79,362**	79,362	79,362	79,362
Copper %	**0.36**	0.36	0.36	0.36
Tom Valley (tons)[d]	**10,800**	10,800	9,508	—
Zinc %	**7.54**	7.54	7.59	—
Lead %	**6.37**	6.37	6.86	—
Silver (oz./ton)	**2.15**	2.15	2.30	—
Centennial (tons)[e]	**1,642**	—	—	—
Copper %	**1.48**	—	—	—
Zinc %	**1.90**	—	—	—
Silver (oz./ton)	**0.61**	—	—	—
Gold (oz./ton)	**0.038**	—	—	—
Osborne (tons)[e]	**582**	—	—	—
Copper %	**2.45**	—	—	—
Zinc %	**1.30**	—	—	—
Silver (oz./ton)	**0.10**	—	—	—
Gold (oz./ton)	**0.003**	—	—	—
Tanco[f]				
Ore (tons)	**1,005**	1,081	1,154	1,210
Stored tailings (tons)	**702**	702	743	798
Tantalum pentoxide %				
Ore	**0.131**	0.138	0.144	0.139
Stored tailings	**0.065**	0.065	0.065	0.073
Whitehorse Copper				
Reserves (tons)	**(g)**	(g)	1,325	1,842
Copper (percent)	**(g)**	(g)	1.35	1.40
Volume of minerals mined (tons)	**(g)**	898	800	854

(tons, pounds and ounces in thousands)	1983	1982	1981	1980
Metals and Mine Production for The Year				
Volume of minerals mined (tons)	**16,829**	17,253	19,693	13,294
Production				
Copper (pounds)	**212,376**	193,625	194,686	156,184
Zinc (pounds)	**72,544**	63,276	56,948	60,026
Silver (ounces)	**2,050**	589	565	604
Gold (ounces)	**44**	37	33	35
Coal production (tons)	**1,149**	1,750	1,200	—
Average Market Price				
Copper (¢/pound)[h]	**71.90**	65.82	78.66	96.76
Zinc (¢/pound)[i]	**34.73**	33.73	38.93	34.48
Silver ($/ounce)[h]	**11.46**	7.95	10.53	20.65
Gold ($/ounce)[h]	**424.18**	376.23	459.02	611.98
Coal ($/ton)[j]	**33.72**	40.41	37.51	—

(a) Includes Corporation's 44% interest in Trout Lake mine.

(b) In 1982 standard parameters for calculating reserves based on U.S. Bureau of Mines criteria were used for the first time. The 1981 reserves would not have differed materially from 1982 reported reserves if they had been calculated on the present basis. The initial investment in coal was acquired in 1981.

(c) Included in active mines.

(d) Under exploration.

(e) Production ceased in 1983 for economic reasons. Reserve figures are included in active mines prior to 1983.

(f) Tanco is 37.5% owned, figures represent 100%.

(g) Economic reserves were exhausted by December 31, 1982.

(h) New York Commodity Exchange ("Comex") prices as published in Metals Week.

(i) London Metal Exchange quoted cash prices as published in Metals Week.

(j) Average selling price for coal sold by Inspiration Coal Inc.

Financial Summary

(in thousands, except per share amounts)	**1983**	1982	1981	1980	1979
Financial Position					
Working capital	**$ 133,141**	$ 63,455	$ 169,318	$189,473	$131,069
Total assets	**1,111,131**	1,092,274	1,128,080	806,372	672,940
Capital employed	**926,788**	858,948	950,443	644,894	542,021
Long-term debt	**350,901**	387,998	378,838	169,110	116,030
Stockholders' equity	**$ 518,011**	$ 402,762	$ 437,453	$351,753	$320,455
Operations					
Revenues	**$ 779,974**	$ 779,742	$ 890,527	$832,373	$641,371
Costs and expenses	**863,593**	861,432	876,404	726,424	579,782
Benefit of (provision for) taxes and royalties	**962**	9,348	(27,175)	(53,750)	(28,315)
Earnings (loss) before extraordinary items	**(82,657)**	(72,342)	(13,052)	52,199	33,274
Extraordinary items	**—**	44,979	—	1,450	3,149
Net income (loss)	**(82,657)**	(27,363)	(13,052)	53,649	36,423
Earnings (loss) per share:					
Before extraordinary items	**(3.82)**	(4.45)	(.80)	3.21	2.05
After extraordinary items	**$ (3.82)**	$ (1.68)	$ (.80)	$ 3.30	$ 2.24
Capital Expenditures	**$ 71,597**	$ 116,509	$ 197,814	$111,155	$ 74,152

Selected Quarterly Financial and Stock Market Data

(in thousands, except per share data)	March 31	June 30	Sept. 30	Dec. 31
1983				
Net revenue	**$144,311**	**$293,080**	**$189,529**	**$153,054**
Loss before taxes (a)	**(19,475)**	**(11,909)**	**(21,216)**	**(31,019)**
Net loss (a)	**(16,248)**	**(12,122)**	**(23,387)**	**(30,900)**
Loss per share (a)(b)	**$ (1.00)**	**$ (.74)**	**$ (1.01)**	**$ (1.02)**
1982				
Net revenue	$171,527	$290,362	$167,283	$150,570
Loss before taxes and extraordinary item	(36,243)	(11,164)	(19,591)	(14,692)
Net income (loss)	(34,406)	(13,169)	(22,881)	43,093
Earnings (loss) per share:				
Before extraordinary item	(2.11)	(.81)	(1.41)	(.12)
After extraordinary item	$ (2.11)	$ (.81)	$ (1.41)	$ 2.65

(a) Includes approximately $7,160,000 ($.24 per share) of nonrecurring charges in the fourth quarter.
(b) Quarterly loss per share amounts do not equal the full year amount for 1983 as a result of increased shares outstanding following the August 1983 issuance of Common, Class A and HBMS Special Shares.

The Common Shares of Inspiration Resources Corporation began trading on the New York Stock Exchange on July 6, 1983 following the reorganization. Since that time, the high and the low stock prices were $15¼ and $11¾ during the third quarter, respectively, and $13½ and $10⅜ during the fourth quarter, respectively. The Corporation's Class A Shares are not traded publicly and the HBMS Special Shares are not traded publicly in the United States. The Class A Shares are convertible into and HBMS Special Shares are exchangeable for Common Shares of the Corporation.

At January 31, 1984, 11,836,029 Common Shares were outstanding and held by 2,094 stockholders, 8,721,940 Class A Shares were outstanding and held by a single stockholder, and 9,690,476 Trust Shares were outstanding and held by the trustee thereof. In addition, 10,048,484 HBMS Special Shares were outstanding and held by 5,201 stockholders, including 358,008 HBMS Special Shares held by the Corporation.

The Corporation paid a 2% stock dividend on December 21, 1983 on its Common Shares and Class A Shares. HBMS paid an equivalent dividend on its Special Shares on the same date. No other dividends have been paid by the Corporation since inception.

Senior Management of Subsidiary Companies

Hudson Bay Mining and Smelting Co., Limited

Allen T. Lambert
Chairman of the Board

C. Keith Taylor, Q.C.
President and Chief Executive Officer

W. Keith Callander
Senior Vice President, Operations

Stuart R. Horne
Senior Vice President, Investments

Douglas H. Houston
Senior Vice President, Administration

George D. Faught
Chief Financial Officer, Vice President, Finance and Treasurer

Peter L. Martin
Vice President, Exploration

Lloyd R. Nilsen
Vice President and General Manager Flin Flon/Snow Lake Operations

Shirley A. Kozel
Secretary

Inspiration Consolidated Copper Company/ Inspiration Mines Inc.

John J. Ellis
President and Chief Executive Officer (ICC and IMI)

Jacob Timmers
Senior Vice President, Operations (ICC and IMI)

Robert A. Prescott
Vice President and General Manager (ICC)

Keith E. Dyas
Vice President, Business Development (IMI)

Robert F. Morison
Vice President, Administration and Secretary (ICC and IMI)

Trend Exploration Limited/ Trend International Limited

Jean Debray
President and Chief Executive Officer

Robert A. Halpin
Senior Vice President, Operations

Elwood Hardman
Senior Vice President, Exploration (International)

W. Jack Magathan
Vice President, Exploration

David W. Martin
Vice President, Engineering

Marlin Miles
Vice President, Finance

John L. Redmond
Vice President, Geology

Harry G. Watson
Vice President, Land

Richard W. Stearns
Treasurer

Carolyn E. Lucas
Secretary

Robert A. Wright
Controller

Terra Chemicals International, Inc.

William T. Dible
President and Chief Executive Officer

Paul D. Foster
Vice President, Retail

Gene A. Hallauer
Vice President, Human Resources

Raymond W. Nason, Jr.
Vice President, Finance

Charles G. Nevaril
Vice President, Supply and Distribution/Manufacturing

John A. Skinner
Vice President, Wholesale Sales (Retired) (Presently a consultant with the company)

James F. Wokosin
Vice President, Information Systems

R. Oliver Simmons
Corporate Controller and Assistant Secretary

Inspiration Coal Inc.

Harold S. Schwartz
President and Chief Executive Officer

T. Michael Young
Senior Vice President, Operations

John E. Nypaver
Vice President, Production

Joseph A. Gaviola
Vice President, Marketing

Steven R. Poxon
Vice President, Finance

Inspiration Resources Marketing Corporation

M. Brian O'Shaughnessy
President

Copper & Trading Group

W. Michael Fien
Senior Vice President, Copper and Trading

Brian E. Disbury
Vice President, Raw Materials

Rene R. Galipeau
Vice President, Trading and Commercial Development

Virginia M. Hauser
Vice President, Copper

Zinc Group

John D. Purvis
Vice President, Zinc

Alan G. Bolton
Assistant Vice President, Zinc

Directors

Edward M. Carson (1) (3)
President and Chief Executive Officer
First Interstate Bank of Arizona, N.A.

H. Purdy Crawford, Q.C. (1) (2)
Senior Partner
Osler, Hoskin & Harcourt
Law firm

Richard R. Davis
Senior Vice President and General Counsel
Inspiration Resources Corporation

Adrian M. Doull
Senior Vice President, Administration
Inspiration Resources Corporation

Jack A. Holmes
Technical Director
Anglo American Corporation of South Africa Limited
A mining finance company

J. Blair Howkins
Senior Vice President, Operations
Inspiration Resources Corporation

Robert H. Jones (3)
Chairman and Chief Executive Officer
The Investors Group
A financial holding company

Allen T. Lambert (2)
Chairman of the Board
Hudson Bay Mining and Smelting Co., Limited
A mining company

J. Roger B. Phillimore (1) (2)
Vice President, Administration
Minerals and Resources Corporation Limited
An investment company

Reuben F. Richards (1)
Chairman of the Board,
President and Chief Executive Officer
Inspiration Resources Corporation

Henry R. Slack (1) (3)
Director
Minerals and Resources Corporation Limited
An investment company

Alan Sweatman, Q.C.
Partner
Thompson, Dorfman, Sweatman
Law firm

(1) Member of Executive Committee
(2) Member of Audit Committee
(3) Member of Personnel Committee

Officers

Reuben F. Richards
Chairman of the Board, President and Chief Executive Officer

Richard R. Davis
Senior Vice President and General Counsel

Adrian M. Doull
Senior Vice President, Administration

J. Blair Howkins
Senior Vice President, Operations

M. Brian O'Shaughnessy
Senior Vice President, Marketing

Evert T. Bron
Vice President, Technical

James F. Kisela
Vice President, Human Resources

Michael B. Smith
Vice President, Finance

Clifford H. R. DuPree
Corporate Secretary and Assistant General Counsel

John H. Melville
Treasurer

Inspiration Resources Corporation
Principal Executive Office:
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Subsidiary Companies
Hudson Bay Mining and Smelting Co., Limited
P.O. Box 28, Toronto-Dominion Centre
Toronto, Ontario, Canada M5K 1B8

Inspiration Coal Inc.
2436 Plaza Tower
Knoxville, Tennessee 37929

Inspiration Consolidated Copper Company/Inspiration Mines Inc.
P.O. Box V
Claypool, Arizona 85532

Inspiration Resources Marketing Corporation
250 Park Avenue
New York, New York 10177

Terra Chemicals International, Inc.
Terra Plaza
600 Fourth Street
Sioux City, Iowa 51101

Trend Exploration Limited
777 Grant Street
Governor's Center
Denver, Colorado 80203

Trend International Limited
Sofia House
Church Street
Hamilton, 5-24
Bermuda

Annual Meeting
The annual meeting of stockholders will be held at 9:00 a.m. on May 10, 1984 at Chemical Bank, 277 Park Avenue, New York, N.Y.

Transfer Agents and Registrars
Common Shares:
Morgan Guaranty Trust Company of New York
30 West Broadway
New York, N.Y. 10015

HBMS Special Shares:
Montreal Trust Company
15 King Street West
Toronto, Ontario, Canada
M5H 1B4

Form 10-K
Further information concerning Inspiration Resources Corporation is contained in the Form 10-K annual report of Inspiration Resources Corporation for the fiscal year ended December 31, 1983 filed with the Securities and Exchange Commission. A copy of the Form 10-K annual report, including the financial statements and the financial statement schedules thereto, will be made available to stockholders without charge upon written request addressed to the Corporate Secretary of the Corporation at its principal executive office.

INSPIRATION
RESOURCES
CORPORATION

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